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Attorney for Sulphur Springs
Valley Electric Cooperative, Inc.

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AZ CORP COMMISSION
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**BEFORE THE ARIZONA CORPORATION COMMISSION**

**COMMISSIONERS**

**MIKE GLEASON, Chairman**
**WILLIAM A. MUNDELL**
**JEFF HATCH-MILLER**
**KRISTEN K. MAYES**
**GARY PIERCE**

| | |
|---|---|
| IN THE MATTER OF THE APPLICATION OF SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC., AN ARIZONA NONPROFIT CORPORATION, FOR AUTHORIZATION TO INCUR DEBT TO FINANCE ITS CLEAN RENEWABLE ENERGY BONDS FOR SCHOOLS PROGRAM AND FOR RELATED APPROVALS. | Docket No. E-01575A-07-0501<br><br>**NOTICE OF COMPLIANCE FILING** |

In compliance with Decision No. 70097, attached are copies of the following executed financing documents between Sulphur Springs Valley Electric Cooperative, Inc. and National Rural Utilities Cooperative Finance Corporation for each of the 19 approved projects:

1. Promissory Note
2. Project Agreement
3. Loan Agreement

RESPECTFULLY SUBMITTED this 26th day of December, 2008.

LAW OFFICES OF
CHRISTOPHER HITCHCOCK, P.L.C.

By: _____
Christopher Hitchcock
Attorney for Sulphur Springs Valley
Electric Cooperative, Inc.

Arizona Corporation Commission
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DEC 29 2008
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Original and thirteen copies
delivered this 26th day of
December, 2008, to:

Docket Control Center
Arizona Corporation Commission
400 West Congress Street
Tucson, AZ 85701-1347

Copy of the foregoing mailed
this 26th day of December, 2008 to:

Compliance Section
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Lyn Farmer, Chief Administrative Law Judge
Hearing Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Janet Wagner, Senior Attorney
Legal Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Ernest G. Johnson, Director
Utilities Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

Ray Williamson
Utilities Division
Arizona Corporation Commission
1200 West Washington
Phoenix, Arizona 85007

**SECURED PROMISSORY NOTE**

$840,000.00 dated as of 12/21/2007

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC., an Arizona corporation (the "Borrower"), for value received, hereby promises to pay, without setoff, deduction, recoupment or counterclaim, to the order of NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION (the "Payee"), at its office in Herndon, Virginia office or such other location at its office in Herndon, Virginia or such other location as the Payee may designate to the Borrower, in lawful money of the United States, the principal sum of EIGHT HUNDRED FORTY THOUSAND AND 00/100 DOLLARS ($840,000.00), or such lesser sum of the aggregate unpaid principal amount of all advances made by the Payee pursuant to that certain Loan Agreement dated as of even date herewith between the Borrower and the Payee, as it may be amended from time to time (herein called the "Loan Agreement"), and to pay interest on all amounts remaining unpaid hereunder from the date of each advance in like money, at said office, at the rate and in amounts and payable on the dates provided in the Loan Agreement together with any other amount payable under the Loan Agreement. If not sooner paid, any balance of the principal amount and interest accrued thereon shall be due and payable on the Maturity Date.

This Note is secured under a Restated Mortgage and Security Agreement, dated of December 6, 2007 between the Borrower and the Payee, as it may have been or shall be supplemented, amended, consolidated or restated from time to time ("Mortgage"). This Note is one of the Notes referred to in, and has been executed and delivered pursuant to, the Loan Agreement.

The principal hereof and interest accrued thereon and any other amount due under the Loan Agreement may be declared to be forthwith due and payable in the manner, upon the conditions, and with the effect provided in the Mortgage or the Loan Agreement.

The Borrower waives demand, presentment for payment, notice of dishonor, protest, notice of protest, and notice of non-payment of this Note.

IN WITNESS WHEREOF the Borrower has caused this Note to be signed in its corporate name and its corporate seal to be hereunto affixed and to be attested by its duly authorized officers, all as of the day and year first above written.

SULPHUR SPRINGS VALLEY
ELECTRIC COOPERATIVE, INC.

(SEAL)

By: Gene Manning

Title: President

Attest: _____
Secretary

CREDEN W. HUBER
CHIEF EXECUTIVE OFFICER

Loan No. AZ014-A-9031-CB001

# PROJECT AGREEMENT

OF

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (THE *"BORROWER"*)

DATED: as of 12/21/2007

The undersigned is a duly qualified officer of the Borrower named above and, as such officer, is familiar with (i) the properties, affairs and records of the Borrower, (ii) the issuance of the Securities (as hereinafter defined) and the use of the proceeds thereof as it relates to the Borrower and (iii) the Project, as hereinafter defined.

In connection with the issuance of the Clean Renewable Energy Bonds (Cooperative Renewable Energy Projects) Series 2008A (the *"Securities"*), being issued by the National Rural Utilities Cooperative Finance Corporation (the *"Issuer"*), the undersigned hereby certifies and covenants regarding the use of the proceeds of the Securities advanced to the Borrower, as follows:

1. General.

1.1 This Project Agreement is made pursuant to Section 54 of the Internal Revenue Code of 1986, as amended (the *"Code"*), and any United States Treasury regulations and other guidance thereunder to make the certifications required by Section 54 of the Code and any United Stares Treasury regulations and other guidance thereunder and to establish the reasonable expectations of the Borrower with respect to the amount and use of amounts to be advanced to the Borrower pursuant to the Loan Agreement dated as of even date herewith between the Issuer and the Borrower (the *"Loan Agreement"*). Capitalized terms used herein are defined where they first appear or are defined in *Exhibit A* attached hereto.

1.2 This Project Agreement is based on facts and estimates in existence on the date hereof and the continued veracity of these facts and estimates as of the date that the Securities are issued (the *"Closing"*) will be confirmed by the Borrower on the date of Closing, and on the basis of such facts and estimates, the Borrower expects that the events described herein will occur. To the best of the undersigned's knowledge, information, and belief, the expectations contained in this Project Agreement are reasonable.

1.3 The Borrower is a Qualified Borrower, as defined in *Exhibit A,* and is responsible for the acquiring/constructing/equipping of the Project (defined below). The undersigned has reviewed this Project Agreement, as well as the provisions of Section 54 of the Code and any United States Treasury regulations and other

guidance thereunder, with its own legal counsel and understands and is familiar with this Project Agreement and the provisions of Section 54 and any United States Treasury regulations and other guidance thereunder. The Borrower will comply in all respects with the provisions of Section 54 and any United States Treasury regulations and other guidance thereunder.

1.4 The Borrower agrees to keep and retain or cause to be kept and retained sufficient records to demonstrate compliance with the covenants in this Project Agreement. Such records shall include, but are not limited to, basic records relating to the issuance of the Securities (including this Project Agreement and the inducement resolution as described in Section 3.3 hereof); documentation evidencing the expenditure of amounts advanced to the Borrower pursuant to the Loan Agreement; documentation evidencing the use of property financed with amounts advanced to the Borrower pursuant to the Loan Agreement; and documentation evidencing all sources of payment or security maintained by the Borrower for amounts advanced to the Borrower pursuant to the Loan Agreement. Such records shall be kept until the date three (3) years after the CREB Maturity Date.

1.5 Neither the Borrower nor any Related Person (as defined in Exhibit A) to the Borrower will purchase any Securities.

2. Qualified Project.

2.1 The Loan Agreement requires the amounts advanced thereunder to be used for facilities to be owned by the Borrower, described in more detail in Section 2.2 hereof and in *Exhibit B* attached hereto as the "Updated Description of the Project" (the *"Project"*). The Project was originally described in an exhibit to the Application for National Clean Renewable Energy Bond Limitation submitted to the Internal Revenue Service by the Issuer in support of the national clean renewable energy bond allocation received by the Issuer, which "Original Description of the Project" is attached hereto as *Exhibit C*.

2.2 The Project is a Solar Energy Facility (the *"Qualifying Facility"*), as defined in *Exhibit A* and property functionally related and subordinate thereto, as further described in *Exhibit B*, attached hereto.

3. Clean Renewable Energy Bonds Qualification.

3.1 At least 95 percent of the proceeds advanced to the Borrower pursuant to the Loan Agreement will be used by the Borrower for capital expenditures with respect to the Project. None of the proceeds of the Loan (as defined in the Loan Agreement) will be paid to the Issuer, the Borrower or any Related Person to the Issuer or the Borrower, except for amounts paid to the Borrower to reimburse the Borrower for actual and direct expenditures relating to the Project paid by the Borrower to persons other than the Issuer, the Borrower or any Related Person to the Issuer or the Borrower.

3.2 The Borrower has incurred or will, within six months of the Closing Date, incur a substantial binding obligation (not subject to contingencies within the control of the Issuer, the Borrower or any Related Person to either of them) to a third party to expend at least ten percent of the Loan Amount (*i.e.* the total amount to be advanced to the Borrower pursuant to the Loan Agreement). It is expected that the work of acquiring/constructing/equipping the Project and the expenditure of the Loan Amount will proceed with due diligence through July 28, 2008, at which time it is anticipated that the Loan Amount will have been spent in its entirety. The Borrower acknowledges that, to the extent that less than 95 percent of the Loan Amount is expended by a date five years from the date of issuance of the Securities, the Borrower will be required to prepay its Loan in an amount, and the Issuer will redeem Securities at the end of such five-year period in an amount, necessary to maintain the tax credit with respect to the Securities, unless otherwise permitted by Section 6.5 hereof.

It is expected that all amounts advanced to the Borrower under the Loan Agreement will be spent to pay costs of the Project in accordance with the estimated periodic drawdown schedule contained in *Exhibit D,* attached hereto. The assumptions set forth in this Section 3.2 and on *Exhibit D,* attached hereto, represent the Borrower's best estimate, as of this date, of the periodic drawdown schedule of the Loan Amount.

3.3 The Borrower may use amounts advanced to the Borrower under the Loan Agreement to reimburse itself for expenditures paid prior to the date of issuance of the Securities. The Borrower shall reimburse itself for expenditures paid prior to the date of issuance of the Securities only if such expenditure was paid after the Borrower adopted an inducement resolution, and the expenditure is described in such inducement resolution.

**The Borrower shall use proceeds of the Loan to reimburse itself for expenditures paid prior to the date the Securities were issued only if such reimbursement is made within eighteen months after the later of (i) the date the expenditure is paid or (ii) the date the Project is placed in service, but in no event later than three years after the date the original expenditure was paid.**

Except for any reimbursement allowed under this Section 3.3, no portion of the proceeds advanced to the Borrower will be used to pay for expenditures relating to acquiring existing facilities (as contrasted with costs of enhancements, repair or rehabilitation of existing facilities).

3.4 Neither the Project nor any portion thereof has been, is expected to be, or will be sold or otherwise disposed of, in whole or in part, prior to the last maturity date of the Securities.

3.5 The Borrower has entered into the Loan Agreement of even date hereof under which it is committed to borrow $840,000 from the Issuer of the Securities and the Borrower reasonably expects to borrow and expend the full amount of such commitment.

3.6 At least 75% of the Loan Amount is expected to be used for Construction Purposes.

3.7 The Borrower will not use proceeds of the Loan (i) to pre-pay for goods or services to be received over a period of years prior to the date such goods or services are to be received, or (ii) to pay for or otherwise acquire goods or services from an Affiliated Person, as defined in *Exhibit A*.

3.8 The Borrower shall at all times be a Qualified Borrower.

4. Remedial Action.

4.1 The Borrower agrees to operate the Project as a Qualifying Facility.

The Borrower acknowledges that if property financed with proceeds of the Securities advanced to the Borrower is operated in a manner other than as a Qualifying Facility such operation may constitute a "deliberate action" that may require remedial actions to prevent the tax credit being produced by the Securities from being disallowed.

The Borrower shall promptly contact the Issuer as provided in Section 6.3 hereof if it considers operating property financed with proceeds of the Loan other than as a Qualifying Facility.

4.2 The Borrower acknowledges that if property financed with proceeds of the Loan is sold or otherwise disposed of in a manner contrary to the provisions of Section 3.4 hereof, such sale or disposition may constitute a "deliberate action" that may require remedial actions to prevent the tax credit being produced by the Securities from being disallowed. If the Borrower considers the sale or other disposition of property financed with proceeds of the Loan, it shall promptly contact the Issuer, in the manner set forth in Section 6.3 hereof.

5. Funds and Accounts; Investments.

5.1 After the issuance of the Securities, neither the Borrower nor any Related Person to the Borrower has or will have any property, including cash, securities or any other property held as a passive vehicle for the production of income or for investment purposes, that constitutes:

(i) amounts that have a sufficiently direct nexus to the Securities or to the governmental purpose of the Securities to conclude that the amounts would

have been used for that governmental purpose if the Securities were not used or to be used for that governmental purpose (the mere availability or preliminary earmarking of such amounts for a governmental purpose, however, does not itself establish such a sufficient nexus);

(ii) amounts in a debt service fund, redemption fund, reserve fund, replacement fund or any similar fund to the extent reasonably expected to be used directly or indirectly to pay principal of or interest on the Securities or any amounts for which there is provided, directly or indirectly, a reasonable assurance that the amount will be available to pay principal of or interest on the Securities or any credit enhancement or liquidity device with respect to the Securities, even if the Issuer, the Borrower or any Related Person to either of them encounter financial difficulties; or

(iii) any amounts held pursuant to any agreement (such as an agreement to maintain certain levels of types of assets) made for the benefit of the holders of the Securities or any credit enhancement provider, including any liquidity device or negative pledge (*e.g.*, any amount pledged to pay principal of or interest on an issue held under an agreement to maintain the amount at a particular level for the direct or indirect benefit of holders of the Securities or a guarantor of the Securities).

No compensating balance, liquidity account, negative pledge of property held for investment purposes required to be maintained at least at a particular level or similar arrangement exists with respect to, in any way, the Securities or any credit enhancement or liquidity device related to the Securities.

5.2 During the acquiring/constructing/equipping of the Project, the Borrower will only draw down amounts from the Issuer for capital expenditures already paid by the Borrower.

5.3 Neither the Borrower nor any Related Person to the Borrower will enter into any hedge (*e.g.*, an interest rate swap, interest rate cap, futures contract, forward contract or an option) with respect to the Loan or the Securities.

5.4 All property subject to the Mortgage is and will be used by the Borrower in the conduct of its trade or business. The Borrower reasonably expects to repay the Loan from current operating revenues. The Mortgage does not require that cash, securities, obligations, annuity contracts or other property held principally as a passive vehicle for the production of income be maintained, individually or collectively, at any particular level.

6. Miscellaneous.

6.1 This Project Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia.

6.2 Prior to the date 15 days before the Securities were sold, neither the Borrower nor any Related Person to the Borrower has sold or delivered any obligations that are reasonably expected to be paid out of substantially the same source of funds as the Securities. Neither the Borrower nor any Related Person to the Borrower will sell or deliver within 15 days after the date hereof any obligations that are reasonably expected to be paid out of substantially the same source of funds as the Securities.

6.3 All notices provided for herein shall be given or made in writing (including, without limitation, by telecopy) and delivered to the Issuer at the "Address for Notices" specified below. All such communications shall be deemed to have been duly given (i) when personally delivered including, without limitation, by overnight mail or courier service, (ii) in the case of notice by United States mail, certified or registered, postage prepaid, return receipt requested, upon receipt thereof, or (iii) in the case of notice by telecopy, upon transmission thereof, provided such transmission is promptly confirmed by either of the methods set forth in clauses (i) or (ii) above in each case given or addressed as provided for herein. The Address for Notices of the Issuer is as follows:

National Rural Utilities Cooperative Finance Corporation
2201 Cooperative Way
Herndon, Virginia 20171-3025
Attention: Senior Vice President – Member Services
Fax #703-709-6776

6.4 The Borrower represents that it has not been contacted by the Internal Revenue Service or any issuer of bonds, the proceeds of which were loaned to the Borrower regarding any examination of any tax exempt bonds issued for the benefit of the Borrower. To the best of the knowledge of the Borrower, no such obligations of the Borrower are currently under examination by the Internal Revenue Service.

6.5 Any restriction or covenant contained herein need not be observed or may be changed if such nonobservance or change will not result in the loss of any tax credit under Section 54 of the Code for the purpose of federal income taxation to which the Securities is otherwise entitled and the Borrower receives an opinion of Bond Counsel to such effect and the Issuer agrees to such nonobservance or change.

6.6 If any clause, provision or section of this Project Agreement is ruled invalid by any court of competent jurisdiction, the invalidity of such clause, provision or section shall not affect any of the remaining clauses, sections or provisions hereof.

6.7 The terms, provisions, covenants and conditions of this Project Agreement shall bind and inure to the benefit of the respective successors and assigns of the Issuer and the Borrower.

6.8 This Project Agreement shall terminate on the date three (3) years after the CREB Maturity Date.

The undersigned acknowledge that this Project Agreement is given as a basis for an opinion of the law firm of Chapman and Cutler LLP, Chicago, Illinois, and such firm is hereby authorized to rely on this Project Agreement.

DATED as of the day and year first above written.

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

By Gene Mannix

Title President

CFC DOC
AZ014-A-9031-CB001 (JABLONJ)
117025-1

## EXHIBIT A

## DEFINITIONS

*"Affiliated Person"* means any Person that (a) at any time during the six months prior to the Closing Date, (i) has more than five percent of the voting power of the governing body of the Issuer or the Borrower in the aggregate vested in its directors, officers, owners, and employees or (ii) has more than five percent of the voting power of its governing body in the aggregate vested in directors, officers, board members, owners, members or employees of the Issuer or the Borrower or (b) during the one-year period beginning six months prior to the Closing Date, (i) the composition of the governing body of which is modified or established to reflect (directly or indirectly) representation of the interests of the Issuer or the Borrower (or for which an agreement, understanding, or arrangement relating to such a modification or establishment during that one-year period) or (ii) the composition of the governing body of the Issuer or the Borrower is modified or established to reflect (directly or indirectly) representation of the interests of such Person (or for which an agreement, understanding, or arrangement relating to such a modification or establishment during that one-year period).

*"Bond Counsel"* means Chapman and Cutler LLP or any other nationally recognized firm of attorneys experienced in the field of municipal obligations whose opinions are generally accepted by purchasers of municipal obligations.

*"Closing Date"* means the date the Issuer issues the Securities.

*"Code"* means the Internal Revenue Code of 1986, as amended.

*"Constructed Personal Property"* means tangible personal property (or, if acquired pursuant to a single acquisition contract, properties) or Specially Developed Computer Software if (i) a substantial portion of the property or properties is completed more than six (6) months after the earlier of the date construction or rehabilitation commenced and the date the Borrower entered into an acquisition contract; (ii) based on the reasonable expectations of the Borrower, if any, or representations of the person constructing the property, with the exercise of due diligence, completion of construction or rehabilitation (and delivery to the issuer) could not have occurred within that six-month period; and (iii) if the Borrower itself builds or rehabilitates the property, not more than 75 percent of the capitalizable cost is attributable to property acquired by the Borrower (e.g., components, raw materials, and other supplies).

*"Construction Purposes"* means capital expenditures that are allocable to the cost of Real Property or Constructed Personal Property. Except as provided in the next succeeding sentence, construction expenditures do not include expenditures for acquisitions of interests in land or other existing real property. Expenditures are not for the acquisition of an interest in existing real property other than land if the contract between the seller and the Borrower requires the seller to build or install the property (e.g., a *turnkey contract*), but only to the extent that the property has not been built or installed at the time the parties enter into the contract.

*"Control"* means the possession, directly or indirectly through others, of either of the following discretionary and non-ministerial rights or powers over another entity (i) to approve and to remove without cause a controlling portion of the governing body of a Controlled Entity, or (ii) to require the use of funds or assets of a Controlled Entity for any purpose.

*"Controlled Entity"* means any entity or one of a group of entities that is subject to Control by a Controlling Entity or group of Controlling Entities.

*"Controlled Group"* means a group of entities directly or indirectly subject to Control by the same entity or group of entities, including the entity that has the Control of the other entities.

*"Controlling Entity"* means any entity or one of a group of entities directly or indirectly having Control of any entities or group of entities.

*"CREB Maturity Date"* shall have the meaning ascribed to it in the Loan Agreement.

*"Governmental Body"* means any State, territory, possession of the United States, the District of Columbia, Indian tribal government, and any political subdivision thereof.

*"Mortgage"* means the mortgage and security agreement applicable to substantially all of the property of the Borrower.

*"Qualified Borrower"* means (i) a mutual or cooperative electric company described in Sections 501(c)(12) or 1381(a)(2)(C) of the Code, or (ii) a Governmental Body (as defined above).

*"Real Property"* means land and improvements to land, such as buildings or other inherently permanent structures, including interests in real property. For example, real property includes wiring in a building, plumbing systems, central heating or air-conditioning systems, pipes or ducts, elevators, escalators installed in a building, paved parking areas, roads, wharves and docks, bridges, and sewage lines.

*"Related Person"* means any member of the same Controlled Group as the Issuer or the Borrower and any person related to the Issuer or a Borrower within the meaning of Section 144(a)(3) of the Code.

*"Sale Proceeds"* means amounts actually or constructively received from the sale of the Securities, including (a) amounts used to pay underwriter's discount or compensation and accrued interest, other than accrued interest for a period not greater than one year before the date of issuance but only if it is to be paid within one year after the date of issuance and (b) amounts derived from the sale of any right that is part of the terms of a Security or is otherwise associated with a Security (e.g., a redemption right).

*"Solar Energy Facility"* means a facility using solar energy to produce electricity.

*"Specially Developed Computer Software"* means any programs or routines used to cause a computer to perform a desired task or set of tasks, and the documentation required to describe and maintain those programs, provided that the software is specially developed and is functionally related and subordinate to real property or other constructed personal property.

*"Tangible Personal Property"* means any tangible property other than real property, including interests in tangible personal property. For example, tangible personal property includes machinery that is not a structural component of a building, subway cars, fire trucks, automobiles, office equipment, testing equipment, and furnishings.

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

To

NATIONAL RURAL UTILITIES
COOPERATIVE FINANCE CORPORATION
Issuer

# LOAN AGREEMENT

Dated as of 12/21, 2007

Clean Renewable Energy Bonds
(Cooperative Renewable Energy Projects) Series 2008A
of National Rural Utilities Cooperative Finance Corporation

CFC LOANAG
AZ014-A-9031-CB001 (JABLONJ)
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Schedule I
EXHIBIT A FUNDS REQUISITION STATEMENT
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EXHIBIT C COMPLETION CERTIFICATE OF BORROWER
EXHIBIT D TERMINATION CERTIFICATE OF BORROWER

## LOAN AGREEMENT

**LOAN AGREEMENT** (this "Agreement") dated as of _____, between SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. ("Borrower"), a corporation organized and existing under the laws of the State of Arizona and NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION ("CFC"), a cooperative association organized and existing under the laws of the District of Columbia.

## RECITALS

**WHEREAS,** the Borrower has applied to CFC for a loan for the purposes set forth in Schedule 1 hereto, and CFC is willing to make such a loan to the Borrower on the terms and conditions stated herein; and

**WHEREAS,** the Borrower has agreed to execute a promissory note to evidence an indebtedness in the aggregate principal amount of the CFC Commitment (as hereinafter defined).

**NOW, THEREFORE,** for and in consideration of the premises and the mutual covenants hereinafter contained, the parties hereto agree and bind themselves as follows:

## ARTICLE I

## DEFINITIONS

**Section 1.01** For purposes of this Agreement, the following capitalized terms shall have the following meanings (such definitions to be equally applicable to the singular and the plural form thereof). Capitalized terms that are not defined herein shall have the meanings as set forth in the Mortgage.

**"Accounting Requirements"** shall mean any system of accounts prescribed by a federal regulatory authority having jurisdiction over the Borrower or, in the absence thereof, the requirements of GAAP applicable to businesses similar to that of the Borrower.

**"Advance"** shall mean each advance of funds by CFC to the Borrower pursuant to the terms and conditions of this Agreement, including the Initial Advance and the Primary Advance.

**"Authorized Officer of the Borrower"** means the Chairman, General Manager or Chief Financial Officer of the Borrower or any other person authorized by the Board of the Borrower so to act or any other person performing a function similar to the function performed by any such officer or authorized person.

**"Average DSC Ratio"** shall mean the average of the Borrower's two highest annual DSC Ratios during the most recent three calendar years.

**"Bond Counsel"** means an attorney at law or a firm of attorneys (designated by CFC and acceptable to the Trustee) of nationally recognized standing in matters pertaining to the tax-exempt nature of interest or tax credits on bonds issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of any state of the United States of America.

**"Business Day"** shall mean any day that both CFC and the depository institution CFC utilizes for funds transfers hereunder are open for business.

**"CFC Commitment"** shall have the meaning as defined in Schedule 1.

**"CFC CREB Rate"** shall mean the interest rate charged by CFC for loans made by CFC from proceeds of the CREBs which rate shall not exceed one hundred and fifty basis points (150/100 of 1%) per annum.

**"Closing Date"** shall mean the date CFC issues the CREBs.

**"Code"** shall mean the Internal Revenue Code of 1986, as supplemented and amended.

**"Completion Certificate"** shall mean the certificate of the Borrower required by Section 5.01.P of this Agreement, substantially in the form of Exhibit C hereto.

**"CREBs"** shall mean the series of Securities issued by CFC to provide financing for the Project.

**"CREB Maturity Date"** shall mean the maturity date of the CREBs, which shall be the December 15th prior to the Maximum CREB Term Anniversary Date.

**"Debt Service Coverage ("DSC") Ratio"** shall mean the ratio determined as follows: for any calendar year add (i) Operating Margins, (ii) Non-Operating Margins--Interest, (iii) Interest Expense, (iv) Depreciation and Amortization Expense, and (v) cash received in respect of generation and transmission and other capital credits, and divide the sum so obtained by the sum of all payments of Principal and Interest Expense required to be made during such calendar year; provided, however, that in the event that any amount of Long-Term Debt has been refinanced during such year, the payments of Principal and Interest Expense required to be made during such year on account of such refinanced amount of Long-Term Debt shall be based (in lieu of actual payments required to be made on such refinanced amount of Long-Term 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 payment of Principal and Interest Expense required to be made during the following year on account of such refinancing debt.

**"Default Rate"** shall mean a rate per annum equal to one hundred and fifty basis points (150/100 of 1%).

**"Depreciation and Amortization Expense"** shall mean an amount constituting the depreciation and amortization of the Borrower computed pursuant to Accounting Requirements.

**"Determination of Tax Credit Ineligibility"** shall mean a determination that a particular series of Securities does not qualify for a tax credit for the owner thereof under Section 54 of the Code, which determination shall be deemed to have been made upon the occurrence of the first to occur of the following:

(a) the date on which CFC determines that there is a significant likelihood that a particular series of Securities may not qualify for a tax credit, if such determination is supported by a written opinion of Bond Counsel to that effect; or

(b) the date on which CFC shall receive notice in writing that the Trustee has been advised by the owner of any Security that a particular series of Securities does not qualify for a tax credit for the owner thereof, based upon a final determination made either by: (A) the Internal Revenue Service in a published or private ruling or technical advice memorandum or (B) any court of competent jurisdiction in the United States of America, as a result of a failure by CFC or any borrower to observe any agreement or representation in the Tax Compliance Agreement or a Loan Agreement or Project Agreement relating to the proceeds of the Securities. Any such determination will not be considered final for this purpose unless the Owner of the Securities involved in the proceeding or action resulting in the determination (i) gives CFC and the Trustee prompt written notice of the commencement thereof and (ii) if CFC agrees to pay all expenses in connection therewith and to indemnify such Owner of the Securities against all liabilities in connection therewith, offers CFC an opportunity to contest the determination, either directly or in the name of the Owner of the Securities, and until conclusion of any review, if sought.

**"Distributions"** shall mean, with respect to the Borrower, any dividend, patronage refund, patronage capital retirement or cash distribution to its members, or consumers (including but not limited to any general cancellation or abatement of charges for electric energy or services furnished by the Borrower). The term "Distribution" shall *not* include (a) a distribution by the Borrower to the estate of a deceased patron, (b) repayment by the Borrower of a membership fee upon termination of a membership, or (c) any rebate to a patron resulting from a cost abatement received by the Borrower, such as a reduction of wholesale power cost previously incurred.

**"Draw Period"** shall have the meaning as described in Schedule 1 hereto.

**"Environmental Laws"** shall mean all laws, rules and regulations promulgated by any Governmental Authority, with which Borrower is required to comply, regarding the use, treatment, discharge, storage, management, handling, manufacture, generation, processing, recycling, distribution, transport, release of or exposure to any Hazardous Material.

**"Equity"** shall mean the aggregate of the Borrower's equities and margins computed pursuant to Accounting Requirements.

**"Event of Default"** shall have the meaning as described in Article VI hereof.

**"Funds Requisition Statement"** shall mean the certificate of the Borrower, in the form set forth as Exhibit A to this Agreement, by which the Borrower will obtain an advance of funds from CFC under the Loan.

**"GAAP"** shall mean generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board.

**"Governmental Authority"** shall mean the government of the United States of America, any other nation or government, any state or other political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

**"Hazardous Material"** shall mean any (a) petroleum or petroleum products, radioactive materials, asbestos-containing materials, polychlorinated biphenyls, lead and radon gas, and (b) any

other substance designated as hazardous or toxic or as a pollutant or contaminant under any Environmental Law.

**"Indenture"** shall mean the Indenture between CFC and U.S. Bank Trust Company National Association, relating to the first issue of Securities, pursuant to which the Securities, including the CREBs are issued, as supplemented and amended.

**"Initial Advance"** shall mean the Advance made by CFC on the Closing Date pursuant to Section 3.02.A hereof to fund a portion of CFC's costs in issuing the CREBs attributable to the CFC Commitment, including, but not limited to, original issue discount, underwriting discount and other costs of issuance, including, without limitation, rating agency costs and legal, underwriting and Trustee expenses.

**"Interest Expense"** shall mean an amount constituting the interest expense with respect to Long-Term Debt of the Borrower computed pursuant to Accounting Requirements. 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 Restricted Rentals paid by the Borrower over 2% of the Borrower's Equity.

**"Lien"** shall mean any statutory or common law consensual or non-consensual mortgage, pledge, security interest, encumbrance, lien, right of set off, claim or charge of any kind, including, without limitation, any conditional sale or other title retention transaction, any lease transaction in the nature thereof and any secured transaction under the Uniform Commercial Code.

**"Loan"** shall mean the loan made by CFC to the Borrower, pursuant to this Agreement and the Note, in an aggregate principal amount not to exceed the CFC Commitment.

**"Loan Capital Term Certificate" or "LCTC"** shall mean a certificate, or book entry form of account, evidencing the Borrower's purchase of equity in CFC.

**"Loan Documents"** shall mean this Agreement, the Note, the Mortgage, the Project Agreement and all other documents or instruments executed, delivered or executed and delivered by the Borrower and evidencing, securing, governing or otherwise pertaining to, the Loan.

**"Long-Term Debt"** shall mean an amount constituting the long-term debt of the Borrower computed pursuant to Accounting Requirements.

**"Maturity Date"** shall mean the Payment Date immediately prior to the CREB Maturity Date permitted for the CREBs under Section 54(e)(2) of the Code as in effect on the Closing Date.

**"Maximum CREB Term Anniversary Date"** shall mean the anniversary of the Closing Date that occurs at the maximum term permitted for the CREBs under Section 54(e)(2) of the Code as in effect on the Closing Date.

**"Mortgage"** shall have the meaning as described in Schedule 1 hereto.

**"Mortgaged Property"** shall have the meaning ascribed to it in the Mortgage.

**"Non-Operating Margins–Interest"** shall mean the amount representing the interest component of non-operating margins of the Borrower computed pursuant to Accounting Requirements.

**"Note"** shall mean the secured promissory note, payable to the order of CFC, executed by the Borrower, dated as of even date herewith, pursuant to this Agreement as identified on Schedule 1 hereto and shall include any substitute note or modification thereto.

**"Obligations"** shall mean any and all liabilities, obligations or indebtedness owing by the Borrower to CFC, of any kind or description, irrespective of whether for the payment of money, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising.

**"Operating Margins"** shall mean the amount of patronage capital and operating margins of the Borrower computed pursuant to Accounting Requirements.

**"Payment Date"** shall mean the first (1st) day of each of March, June and September and December.

**"Payment Notice"** shall mean a notice furnished by CFC to the Borrower that indicates the amount of each payment of interest or interest and principal and the total amount of each payment due.

**"Permitted Encumbrances"** shall have the meaning ascribed to it in the Mortgage.

**"Person"** shall mean natural persons, cooperatives, corporations, limited liability companies, limited partnerships, general partnerships, limited liability partnerships, joint ventures, associations, companies, trusts or other organizations, irrespective of whether they are legal entities, and Governmental Authorities.

**"Primary Advance"** shall mean the Advance made by CFC to the Borrower pursuant to Section 3.02.B hereof two Business Days after the Closing Date to reimburse Borrower for costs of the Project.

**"Principal"** shall mean the amount of principal billed on account of Long-Term Debt of the Borrower computed pursuant to Accounting Requirements.

**"Project"** shall mean the project being financed pursuant to the Loan, as further described in Schedule 1.

**"Project Account"** means an account created pursuant to the Indenture within the Project Fund related to the CREBs.

**"Project Agreement"** shall mean the Project Agreement, dated as of even date herewith, executed by the Borrower with respect to the Project and the CREBs.

**"Project Fund"** means the Project Fund created and identified as such in the Indenture.

**"Restricted Rentals"** shall mean all rentals required to be paid under finance leases and charged to income, exclusive of any amounts paid under any such lease (whether or not designated therein as rental or additional rental) for maintenance or repairs, insurance, taxes, assessments, water rates or similar charges. For the purpose of this definition the term "finance lease" shall mean any lease having a rental term (including the term for which such lease may be renewed or extended at the option of the lessee) in excess of three (3) years and covering property having an initial cost in excess of $250,000 other than automobiles, trucks, trailers, other vehicles (including without

limitation aircraft and ships), office, garage and warehouse space and office equipment (including without limitation computers).

**"Securities"** shall mean one or more series of clean renewable energy bonds issued by CFC under the Indenture.

**"Subsidiary"** as to any Person, shall mean a corporation, partnership, limited partnership, limited liability company or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise qualified, all references to a "Subsidiary" or to "Subsidiaries" in this Agreement shall refer to a Subsidiary or Subsidiaries of the Borrower.

**"Tax Compliance Agreement"** means a tax compliance certificate and agreement of CFC with respect to a series of Securities, as accepted by the Trustee, as amended.

**"Termination Certificate"** shall mean the certificate of the Borrower required by Section 5.01.Q of this Agreement, substantially in the form of Exhibit D hereto.

**"Total Assets"** shall mean an amount constituting the total assets of the Borrower computed pursuant to Accounting Requirements.

**"Total Utility Plant"** shall mean the amount constituting the total utility plant of the Borrower computed pursuant to Accounting Requirements.

**"Trustee"** shall mean U.S. Bank Trust Company National Association and its successors and assigns.

## ARTICLE II

## REPRESENTATIONS AND WARRANTIES

**Section 2.01** The Borrower represents and warrants to CFC that as of the date of this Agreement:

**A. Good Standing.** The Borrower is duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization, is duly qualified to do business and is in good standing in those states in which it is required to be qualified to conduct its business. The Borrower is a member in good standing of CFC.

**B. Subsidiaries and Ownership.** Schedule 1 hereto sets forth a complete and accurate list of the Subsidiaries of the Borrower showing the percentage of the Borrower's ownership of the outstanding stock, membership interests or partnership interests, as applicable, of each Subsidiary.

**C. Authority; Validity.** The Borrower has the power and authority to enter into this Agreement, the Note, the Project Agreement and the Mortgage; to make the borrowing hereunder; to execute and deliver all documents and instruments required hereunder and to incur and perform the obligations provided for herein, in the Note, in the Project Agreement and in the Mortgage, all of which have been duly authorized by all necessary and proper action; and no consent or approval of

any Person, including, as applicable and without limitation, members of the Borrower, which has not been obtained is required as a condition to the validity or enforceability hereof or thereof.

Each of this Agreement, the Note, the Project Agreement and the Mortgage is, and when fully executed and delivered will be, legal, valid and binding upon the Borrower and enforceable against the Borrower in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity.

D. **No Conflicting Agreements.** The execution and delivery of the Loan Documents and performance by the Borrower of the obligations thereunder, and the transactions contemplated hereby or thereby, will not: (i) violate any provision of law, any order, rule or regulation of any court or other agency of government, any award of any arbitrator, the articles of incorporation or by-laws of the Borrower, or any indenture, contract, agreement, mortgage, deed of trust or other instrument to which the Borrower is a party or by which it or any of its property is bound; or (ii) be in conflict with, result in a breach of or constitute (with due notice and/or lapse of time) a default under, any such award, indenture, contract, agreement, mortgage, deed of trust or other instrument, or result in the creation or imposition of any Lien (other than contemplated hereby) upon any of the property or assets of the Borrower.

The Borrower is not in default in any material respect under any agreement or instrument to which it is a party or by which it is bound and no event or condition exists which constitutes a default, or with the giving of notice or lapse of time, or both, would constitute a default under any such agreement or instrument.

E. **Taxes.** The Borrower, and each of its Subsidiaries, has filed or caused to be filed all federal, state and local tax returns which are required to be filed and has paid or caused to be paid all federal, state and local taxes, assessments, and governmental charges and levies thereon, including interest and penalties to the extent that such taxes, assessments, and governmental charges and levies have become due, except for such taxes, assessments, and governmental charges and levies which the Borrower or any Subsidiary is contesting in good faith by appropriate proceedings for which adequate reserves have been set aside.

F. **Licenses and Permits.** The Borrower has duly obtained and now holds all licenses, permits, certifications, approvals and the like necessary to own and operate its property and business that are required by Governmental Authorities and each remains valid and in full force and effect.

G. **Litigation.** There are no outstanding judgments, suits, claims, actions or proceedings pending or, to the knowledge of the Borrower, threatened against or affecting the Borrower, its Subsidiaries or any of their respective properties which, if adversely determined, either individually or collectively, would have a material adverse effect upon the business, operations, prospects, assets, liabilities or financial condition of the Borrower or its Subsidiaries. The Borrower and its Subsidiaries are not, to the Borrower's knowledge, in default or violation with respect to any judgment, order, writ, injunction, decree, rule or regulation of any Governmental Authority which would have a material adverse effect upon the business, operations, prospects, assets, liabilities or financial condition of the Borrower or its Subsidiaries.

H. **Financial Statements.** The balance sheet of the Borrower as at the date identified in Schedule 1 hereto, the statement of operations of the Borrower for the period ending on said date, and the interim financial statements of the Borrower, all heretofore furnished to CFC, are complete and correct. Said balance sheet fairly presents the financial condition of the Borrower as at said date

and said statement of operations fairly reflects its operations for the period ending on said date. The Borrower has no contingent obligations or extraordinary forward or long-term commitments except as specifically stated in said balance sheet or herein. There has been no material adverse change in the financial condition or operations of the Borrower from that set forth in said financial statements except changes disclosed in writing to CFC prior to the date hereof.

I. **Borrower's Legal Status.** Schedule 1 hereto accurately sets forth: (i) the Borrower's exact legal name, (ii) the Borrower's organizational type and jurisdiction of organization, (iii) the Borrower's organizational identification number or accurate statement that the Borrower has none, and (iv) the Borrower's place of business or, if more than one, its chief executive office as well as the Borrower's mailing address if different.

J. **Required Approvals.** Other than the CREBs allocation received from the Internal Revenue Service, no license, consent or approval of any Governmental Authority is required to enable the Borrower to enter into this Agreement, the Project Agreement, the Note and the Mortgage, or to perform any of its Obligations provided for in such documents, including without limitation (and if applicable), that of any state public utilities commission, any state public service commission, and the Federal Energy Regulatory Commission, except as disclosed in Schedule 1 hereto, all of which the Borrower has obtained prior to the date hereof.

K. **Compliance With Laws.** The Borrower and each Subsidiary is in compliance, in all material respects, with all applicable requirements of law and all applicable rules and regulations of each Governmental Authority.

L. **Disclosure.** To the Borrower's knowledge, information and belief, neither this Agreement nor any document, certificate or financial statement furnished to CFC by or on behalf of the Borrower in connection herewith (all such documents, certificates and financial statements, taken as a whole) contains any untrue statement of a material fact or omits to state any material fact necessary in order to make the statements contained herein and therein not misleading.

M. **No Other Liens.** As to property which is presently included in the description of Mortgaged Property, the Borrower has not, without the prior written approval of CFC, executed or authenticated any security agreement or mortgage, or filed or authorized any financing statement to be filed with respect to assets owned by it, other than security agreements, mortgages and financing statements in favor of CFC, except as disclosed in writing to CFC prior to the date hereof or relating to Permitted Encumbrances.

N. **Environmental Matters.** Except as to matters which individually or in the aggregate would not have a material adverse effect upon the business or financial condition of the Borrower or its Subsidiaries, (i) Borrower is in compliance with all Environmental Laws (including, but not limited to, having any required permits and licenses), (ii) there have been no releases (other than releases remediated in compliance with Environmental Laws) from any underground or aboveground storage tanks (or piping associated therewith) that are or were present at the Mortgaged Property, (iii) Borrower has not received written notice or claim of any violation of any Environmental Law, (iv) there is no pending investigation of Borrower in regard to any Environmental Law, and (v) to the best of Borrower's knowledge, there has not been any release or contamination (other than releases or contamination remediated in compliance with Environmental Laws) resulting from the presence of Hazardous Materials on property owned, leased or operated by the Borrower.

O. **Project Agreement.** As set forth in the Project Agreement, the Project constitutes "a qualified project" as defined in Section 54(d)(2)(A) of the Code. As set forth in the Project Agreement,

the Borrower constitutes currently, and will remain through the period that the CREBs remain outstanding, "a Qualified Borrower", meaning a (i) mutual or cooperative electric company described in Sections 501(c)(12) or 1381(a)(2)(C) of the Code, or (ii) a Governmental Body, which is defined as any state, territory possession of the U.S., the District of Columbia, Indian tribal government, and any political subdivision thereof. The statements, information and descriptions contained in the Project Agreement are true, correct and complete, and do not contain any untrue statement or misleading statement of a material fact, and do not omit to state a material fact required to be stated therein or necessary to make the statements, information and descriptions contained therein, in the light of the circumstances under which they were made, not misleading, and the estimates and the assumptions contained in the Project Agreement are reasonable and based on the best information available to the Borrower.

## ARTICLE III

## LOAN

**Section 3.01 Definitions.** For purposes of this Article 3, the following capitalized terms shall have the following meanings:

**"Borrower's Annual Bond Repayment Amount"** shall mean the amount determined by dividing the CFC Commitment by the number of years from the Closing Date to the Maximum CREB Term Anniversary Date, which amount shall be recalculated on the date CFC rescinds any excess moneys pursuant to Section 3.05 or 3.06 hereof.

**"Quarterly Bond Deposit Amount"** shall mean for each Payment Date, the amount determined by subtracting from the Quarterly Bond Repayment Amount the principal amount payable by the Borrower pursuant to Section 3.03.A(ii)(b)(1) on such Payment Date.

**"Quarterly Bond Repayment Amount"** shall mean one-fourth (¼) of the Borrower's Annual Bond Repayment Amount.

**Section 3.02 Advances.** The obligation of the Borrower to repay the Advances shall be evidenced by the Note. The aggregate amount of all Advances made hereunder shall not exceed the CFC Commitment. At the end of the Draw Period, CFC shall have no further obligation to make Advances.

**A. Initial Advance.** Borrower hereby agrees that on the Closing Date, CFC shall automatically, and without action by Borrower, make the Initial Advance. On the Closing Date, CFC shall notify Borrower of the final amount of the Initial Advance and the amount of the CFC Commitment remaining for Borrower to subsequently Advance.

**B. Subsequent Advances.**

(i) The Borrower may submit a request for the Primary Advance to CFC in writing (which may be submitted by facsimile) no later than 12:00 noon local time at CFC's offices in Herndon, Virginia seven Business Days prior to the Closing Date. The Primary Advance may be requested in any amount up to the CFC Commitment. CFC shall make the Primary Advance two Business Days after the Closing Date in the lesser of (i) the aggregate amount of such requested Primary Advance, and (ii) the amount of the CFC Commitment less the amount of the Initial Advance.

(ii) Except as set forth in 3.02.A and 3.02.B(i) hereof, the Borrower shall submit its request for an Advance to CFC in writing (which may be submitted by facsimile) no later than 12:00 noon local time at CFC's offices in Herndon, Virginia at least two (2) Business Days prior to the last Business Day of any calendar month. Borrower may make multiple requests for Advances during any calendar month in any amount so long as the aggregate amount of all Advances requested in such month is in an amount not less than $100,000.00; *provided, however* that at such time as there remains less than $100,000.00 available for Advance hereunder, Borrower may request the entirety of such remaining amount. CFC shall make a single Advance to Borrower on the first Business Day of the calendar month following Borrower's request(s) for an Advance. Such Advance shall be in the aggregate amount of all Advances requested by Borrower in the prior month, *provided however* that at such time as there remains less than $100,000.00 available for Advance hereunder and Borrower requests the entirety of such remaining amount, CFC shall Advance the entirety of such remaining amount.

**Section 3.03 Interest Rate and Payment.** The Note shall be payable and bear interest as follows:

**A. Payments; Maturity; Amortization.**

(i) The Note shall be due and payable on the Maturity Date.

(ii) On each Payment Date, the Borrower shall promptly pay the following:

(a) accrued interest on the principal amount of the Loan outstanding less the amount of the Initial Advance; and

(b) the Quarterly Bond Repayment Amount, consisting of:

(1) the principal amount due on any outstanding Advances, determined on the basis of a quarterly amortization schedule from the date of each Advance; and

(2) the Quarterly Bond Deposit Amount.

(iii) If not sooner paid, any amount due on account of the unpaid principal, interest accrued thereon and fees, if any, shall be due and payable on the Maturity Date.

(iv) Each Advance shall amortize on a level principal payment basis from the date thereof through the Maturity Date.

(v) CFC will furnish to the Borrower a Payment Notice at least ten (10) days before each Payment Date, provided, however, that CFC's failure to send a Payment Notice shall not constitute a waiver by CFC or be deemed to relieve the Borrower of its obligation to make payments as and when due as provided for herein.

(vi) No provision of this Agreement or of any Note shall require the payment, or permit the collection, of interest in excess of the highest rate permitted by applicable law.

Borrower agrees that the records of, and all computations by, CFC (in whatever media they are recorded or maintained) as to the amount of principal, interest, fees and Quarterly Bond Deposit Amount due on the Loan shall be conclusive in the absence of manifest error.

**B. Application of Payments.** Each payment shall be applied to the Loan, first to any fees, costs, expenses or charges other than interest or principal, second to interest accrued, third to the Quarterly Bond Deposit Amount and the balance to principal.

**C. Application of Bond Repayment Deposit.** At such time as the aggregate amount billed by CFC in any calendar year on account of amortized principal under this Agreement exceeds the Borrower's Annual Bond Repayment Amount for such year, CFC shall apply a portion of the Borrower's prior payments of the Quarterly Bond Deposit Amount in the amount of such overage to principal then due. Until such time, Borrower's payments of the Quarterly Bond Deposit Amount shall not reduce the amount of principal outstanding and subject to amortization. Any amount paid by the Borrower under this Agreement on account of the Quarterly Bond Deposit Amount in excess of the principal amount of the fully advanced Loan shall be refunded to the Borrower on the Maturity Date.

**D. Interest Rate Computation.** Each Advance except the Initial Advance shall bear interest at the CFC CREB Rate which shall apply until the Maturity Date. The Initial Advance shall not bear interest. Interest on Advances shall be computed on the basis of a 30-day month and 360-day year.

**Section 3.04. Extraordinary Obligation to Prepay**. Upon a Determination of Tax Credit Ineligibility that subjects the CREBs to an extraordinary mandatory redemption due to a failure of the Borrower to observe any agreement or representation in this Loan Agreement (as more particularly described in paragraph (b) of the defined term "Determination of Tax Credit Ineligibility"), the Borrower shall prepay the Loan, or such part thereof as determined by CFC, at such times and in such amounts as determined by CFC within sixty (60) days of such determination together with a prepayment premium prescribed by CFC pursuant to its policies of general application in effect from time to time.

**Section 3.05. Rescission of Excess Moneys; Fee.** If the Borrower has not drawn down the full amount of the CFC Commitment at (i) the time of filing the Completion Certificate under Section 5.01P. hereof, (ii) the time of filing the Termination Certificate under 5.01Q. hereof, (iii) a Determination of Tax Credit Ineligibility or (iv) the end of the Draw Period, a corresponding rescission of the amount of principal available to be drawn on the Note as calculated by CFC shall automatically be made without further action by the Borrower. CFC shall release the Borrower from its obligations hereunder as to such rescinded portion, provided the Borrower complies with such terms and conditions as CFC may impose for such release including, without limitation, payment of any rescission fee that CFC may from time to time prescribe, pursuant to its policies of general application.

**Section 3.06. Cancellation of Excess Moneys.** If the Borrower has not drawn down the full amount of the CFC Commitment at the time CFC determines that it will cease making Advances hereunder pursuant to Section 7.01 hereof, a corresponding cancellation of the amount of principal available to be drawn on the Note as calculated by CFC shall automatically be made without action by the Borrower.

**Section 3.07. Default Rate.** If Borrower defaults on its obligation to make a payment due hereunder by the applicable Payment Date, and such default continues for thirty days thereafter, then

beginning on the thirty-first day after the Payment Date and for so long as such default continues, Advances shall bear interest at the Default Rate.

**Section 3.08. Patronage Capital; Interest Rate Discounts.** No patronage capital shall be earned, and no interest rate discounts shall apply, to the Loan.

**Section 3.09. Optional Prepayment.** Except for prepayments made pursuant to Section 3.04 hereof, no prepayment of any Advance, in whole or in part, may be made by the Borrower.

## ARTICLE IV

## CONDITIONS OF LENDING

**Section 4.01** The obligation of CFC to make any Advance hereunder is subject to satisfaction of the following conditions in form and substance satisfactory to CFC:

**A. Legal Matters.** All legal matters incident to the consummation of the transactions hereby contemplated shall be satisfactory to counsel for CFC.

**B. Documents.** CFC shall have been furnished with (i) the executed Loan Documents, (ii) certified copies of all such organizational documents and proceedings of the Borrower authorizing the transactions hereby contemplated as CFC shall require, (iii) an opinion of counsel for the Borrower addressing such legal matters as CFC shall reasonably require, and (iv) all other such documents as CFC may reasonably request.

**C. Government Approvals.** The Borrower shall have furnished to CFC true and correct copies of all certificates, authorizations, consents, permits and licenses from Governmental Authorities necessary for the execution or delivery of the Loan Documents or performance by the Borrower of the obligations thereunder.

**D. Representations and Warranties.** The representations and warranties contained in Article II shall be true on the date of the making of each Advance hereunder with the same effect as though such representations and warranties had been made on such date; no Event of Default and no event which, with the lapse of time or the notice and lapse of time would become such an Event of Default, shall have occurred and be continuing or will have occurred after giving effect to each Advance on the books of the Borrower; there shall have occurred no material adverse change in the business or condition, financial or otherwise, of the Borrower; and nothing shall have occurred which in the opinion of CFC materially and adversely affects the Borrower's ability to perform its obligations hereunder.

**E. Mortgage Recordation.** The Mortgage (and any amendments, supplements or restatements as CFC may require from time to time) shall have been duly filed, recorded or indexed in all jurisdictions necessary (and in any other jurisdiction that CFC shall have reasonably requested) to provide CFC a lien, subject to Permitted Encumbrances, on all of the Borrower's real property, all in accordance with applicable law, and the Borrower shall have paid all applicable taxes, recording and filing fees and caused satisfactory evidence thereof to be furnished to CFC.

**F. UCC Filings.** Uniform Commercial Code financing statements (and any continuation statements and other amendments thereto that CFC shall require from time to time) shall have been duly filed, recorded or indexed in all jurisdictions necessary (and in any other jurisdiction that CFC

shall have reasonably requested) to provide CFC a perfected security interest, subject to Permitted Encumbrances, in the Mortgaged Property which may be perfected by the filing of a financing statement, all in accordance with applicable law, and the Borrower shall have paid all applicable taxes, recording and filing fees and caused satisfactory evidence thereof to be furnished to CFC.

**G. Requisitions.** The Borrower will requisition each Advance by submitting its written requisition to CFC in the form attached as Exhibit A hereto. Requisitions for Advances shall be made only for the purposes set forth in Schedule 1 hereto.

**H. Other Information.** The Borrower shall have furnished such other information as CFC may reasonably require, including but not limited to (i) information regarding the specific purpose for an Advance and the use thereof, (ii) feasibility studies, cash flow projections, financial analyses and pro forma financial statements sufficient to demonstrate to CFC's reasonable satisfaction that after giving effect to the Advance requested, the Borrower shall continue to achieve the DSC ratio set forth in Section 5.01.A herein, to meet all of its debt service obligations, and otherwise to perform and to comply with all other covenants and conditions set forth in this Agreement, and (iii) any other information as CFC may reasonably request. CFC's obligation to make any Advance hereunder is conditioned upon prior receipt and approval of the Borrower's written requisition and other information and documentation, if any, as CFC may have requested pursuant to this paragraph.

**I. Issuance of Bonds.** CFC shall have issued CREBs in an amount not less than the CFC Commitment.

**J. CREB Allocation.** CFC shall have received an allocation in the amount of the CFC Commitment from the U.S. Department of Treasury for the Borrower's Project under its Securities program.

**K. Tax Credit Ineligibility.** There shall have occurred no Determination of Tax Credit Ineligibility with regard to the Borrower or the Project.

**L. Bring Down Certificate.** Two (2) Business Days prior to the Closing Date, the Borrower shall furnish CFC with a certificate of an Authorized Officer of the Borrower in the form of Exhibit B hereto, certifying that all of the representations and warranties set forth in Article II hereof are true on the Closing Date.

## ARTICLE V

## COVENANTS

**Section 5.01 Affirmative Covenants.** The Borrower covenants and agrees with CFC that until payment in full of the Note and performance of all obligations of the Borrower hereunder:

**A. Financial Ratios; Design of Rates.** The Borrower shall achieve an Average DSC Ratio of not less than 1.35. The Borrower shall not decrease its rates for electric service if it has failed to achieve a DSC Ratio of 1.35 for the calendar year prior to such reduction subject only to an order from a Governmental Authority properly exercising jurisdiction over the Borrower.

**B. Loan Proceeds.** The Borrower shall use the proceeds of this Loan solely for the purposes identified on Schedule 1 hereto.

**C. Notice.** The Borrower shall promptly notify CFC in writing of:

(i) any material adverse change in the business, operations, prospects, assets, liabilities or financial condition of the Borrower;

(ii) the institution or threat of any litigation or administrative proceeding of any nature involving the Borrower which could materially affect the business, operations, prospects, assets, liabilities or financial condition of the Borrower;

(iii) the occurrence of an Event of Default hereunder, or any event that, with the giving of notice or lapse of time, or both, would constitute an Event of Default.

**D. Default Notices.** Upon receipt of any notices with respect to a default by the Borrower under the terms of any evidence of any indebtedness with parties other than CFC or of any loan agreement, mortgage or other agreement relating thereto, the Borrower shall deliver copies of such notice to CFC.

**E. Annual Certificates.**

(i) Within one hundred twenty (120) days after the close of each calendar year, commencing with the year in which the initial Advance hereunder shall have been made, the Borrower will deliver to CFC a written statement, in form and substance satisfactory to CFC, signed by the Borrower's General Manager or Chief Executive Officer, stating that during such year, and that to the best of said person's knowledge, the Borrower has fulfilled all of its obligations under this Agreement, the Project Agreement, the Note, and the Mortgage throughout such year or, if there has been a default in the fulfillment of any such obligations, specifying each such default known to said person and the nature and status thereof.

(ii) The Borrower shall deliver to CFC within one hundred twenty (120) days of CFC's written request, which shall be no more frequently than once every year, a certification, in form and substance satisfactory to CFC, regarding the condition of the Mortgaged Property prepared by a professional engineer satisfactory to CFC. The Borrower shall also deliver to CFC such other information as CFC may reasonably request from time to time.

**F. Loan Capital Term Certificate Purchase.** The Borrower will purchase LCTCs, if required, in an amount calculated pursuant to CFC's policies of general application and shall pay for such LCTCs as required thereby. CFC's policies with respect to such LCTCs are set forth in Schedule 1.

**G. Financial Books; Financial Reports; Right of Inspection.** The Borrower will at all times keep, and safely preserve, proper books, records and accounts in which full and true entries will be made of all of the dealings, business and affairs of the Borrower, in accordance with Accounting Requirements. When requested by CFC, the Borrower will prepare and furnish CFC from time to time, periodic financial and statistical reports on its condition and operations. All of such reports shall be in such form and include such information as may be specified by CFC. Within one hundred twenty (120) days of the end of each calendar year during the term hereof, the Borrower shall furnish to CFC a full and complete report of its financial condition and statement of its operations as of the end of such calendar year, in form and substance satisfactory to CFC. In addition, within one hundred twenty (120) days of the end of each the Borrower's fiscal years during the term hereof, the Borrower shall furnish to CFC a full and complete consolidated and consolidating report of its financial condition and statement of its operations as of the end of such fiscal year,

audited and certified by independent certified public accountants nationally recognized or otherwise satisfactory to CFC and accompanied by a report of such audit in form and substance satisfactory to CFC, including without limitation a consolidated and consolidating balance sheet and the related consolidated and consolidating statements of income and cash flow. CFC, through its representatives, shall at all times during reasonable business hours and upon prior notice have access to, and the right to inspect and make copies of, any or all books, records and accounts, and any or all invoices, contracts, leases, payrolls, canceled checks, statements and other documents and papers of every kind belonging to or in the possession of the Borrower or in anyway pertaining to its property or business.

H. **Notice of Additional Secured Debt.** The Borrower will notify CFC promptly in writing if it incurs any additional secured indebtedness other than indebtedness to CFC or indebtedness otherwise provided for in the Mortgage.

I. **Funds Requisition.** The Borrower agrees (i) that CFC may rely conclusively upon the written instructions submitted to CFC in the Borrower's written request for an Advance hereunder, (ii) that such instructions shall constitute a covenant under this Agreement to repay the Advance in accordance with such instructions, the applicable Note, the Mortgage, the Project Agreement and this Agreement, and (iii) to request Advances only for the purposes set forth in Schedule 1 hereto.

J. **Compliance With Laws.** The Borrower and each Subsidiary shall remain in compliance, in all material respects, with all applicable requirements of law and applicable rules and regulations of each Governmental Authority.

K. **Taxes.** The Borrower shall pay, or cause to be paid all taxes, assessments or governmental charges lawfully levied or imposed on or against it and its properties prior to the time they become delinquent, except for any taxes, assessments or charges that are being contested in good faith and with respect to which adequate reserves as determined in good faith by the Borrower have been established and are being maintained.

L. **Further Assurances.** The Borrower shall execute any and all further documents, financing statements, agreements and instruments, and take all such further actions (including the filing and recording of financing statements, fixture filings, mortgages, deeds of trust and other documents), which may be required under any applicable law, or which CFC may reasonably request, to effectuate the transactions contemplated by the Loan Documents or to grant, preserve, protect or perfect the Liens created or intended to be created thereby. The Borrower also agrees to provide to CFC, from time to time upon request, evidence reasonably satisfactory to CFC as to the perfection and priority of the Liens created or intended to be created by the Loan Documents.

M. **Environmental Covenants.** Borrower shall:

(i) at its own cost, comply in all material respects with all applicable Environmental Laws, including, but not limited to, any required remediation; and

(ii) if it receives any written communication alleging Borrower's violation of any Environmental Law, provide CFC with a copy thereof within ten (10) Business Days after receipt, and promptly take appropriate action to remedy, cure, defend, or otherwise affirmatively respond to the matter.

N. **Limitations on Loans, Investments and Other Obligations.** The aggregate amount of all purchases, investments, loans, guarantees, commitments and other obligations described in

Section 5.02.D(i) of this Agreement shall at all times be less than fifteen percent (15%) of Total Utility Plant or fifty percent (50%) of Equity, whichever is greater.

**O. Tax Status of the CREBs.** The Borrower shall utilize the Project or cause it to be utilized as provided in the Project Agreement until the CREB Maturity Date. No use will be made of the proceeds of the CREBs other than as set forth herein and in the Project Agreement and no changes will be made in the Project or in the operation or beneficial use thereof (including, without limiting the generality of the foregoing, the use of the Project by the Borrower or any related person) without an opinion of Bond Counsel that such a use or change will not adversely affect the eligibility of the CREBs to qualify for a tax credit for the owner thereof, for federal income tax purposes. The Borrower agrees and warrants that it will not take or authorize or permit any action to be taken and has not taken or authorized or permitted any action to be taken and will not fail to take any action to comply with the Project Agreement which adversely affects the eligibility of the CREBs to qualify for a tax credit for the owner thereof, for federal income tax purposes. This agreement and warranty shall survive the termination of this Agreement.

**P. Completion Certificate.** The Borrower shall submit to CFC within 30 days after the completion of the Project, a Completion Certificate signed by an Authorized Officer of the Borrower.

**Q. Termination Certificate.** If the Borrower determines that the Project will not be completed as described in Section 5.01.P above, then the Borrower shall submit to CFC a Termination Certificate, within 30 days of a determination that:

(i) no further acquisition, construction or installation will occur with respect to the Project; and

(ii) the Borrower does not intend to make any further Advances.

**R. Other Information.** The Borrower shall furnish such other information as CFC may reasonably require relating to the Project.

**Section 5.02 Negative Covenants.** The Borrower covenants and agrees with CFC that until payment in full of the Note and performance of all obligations of the Borrower hereunder, the Borrower will not, directly or indirectly, without CFC's prior written consent:

**A. Limitations on Mergers.** Consolidate with, merge, or sell all or substantially all of its business or assets, or enter into an agreement for such consolidation, merger or sale, to another entity or person unless such action is either approved, as is evidenced by the prior written consent of CFC, or the purchaser, successor or resulting corporation is or becomes a member in good standing of CFC and assumes the due and punctual payment of the Note and the due and punctual performance of the covenants contained in the Mortgage and this Agreement.

**B. Limitations on Sale, Lease or Transfer of Capital Assets; Application of Proceeds.** Sell, lease or transfer (or enter into an agreement to sell, lease or transfer) any capital asset, except in accordance with this Section 5.02.B. If no Event of Default (and no event which with notice or lapse of time and notice would become an Event of Default) shall have occurred and be continuing, the Borrower may, without the prior written consent of CFC, sell, lease or transfer (or enter into an agreement to sell, lease or transfer) any capital asset in exchange for fair market value consideration paid to the Borrower if the value of such capital asset is less than five percent (5%) of Total Utility Plant and the aggregate value of capital assets sold, leased or transferred in any 12-month period is less than ten percent (10%) of Total Utility Plant.

**C. Limitation on Dividends, Patronage Refunds and Other Distributions.**

(i) Make Distributions in any calendar year if, after giving effect to the Distribution, the total Equity of the Borrower will be less than twenty percent (20%) of its Total Assets.

(ii) If, after giving effect to the Distribution, the total Equity of the Borrower will be less than twenty percent (20%) of its Total Assets, then the Borrower may nevertheless make Distributions of up to thirty percent (30%) of its total margins for the preceding calendar year.

(iii) Notwithstanding anything to the contrary in subparagraphs (i) and (ii) above, the Borrower shall not make any Distribution without the prior written consent of CFC if an Event of Default under this Agreement has occurred and is continuing.

**D. Limitations on Loans, Investments and Other Obligations.**

(i) (a) Purchase, or make any commitment to purchase, any stock, bonds, notes, debentures, or other securities or obligations of or beneficial interests in, (b) make, or enter into a commitment to make, any other investment, monetary or otherwise, in, (c) make, or enter into a commitment to make, any loan to, or (d) guarantee, assume, or otherwise become liable for, or enter into a commitment to guarantee, assume, or otherwise become liable for, any obligation of any Person if, after giving effect to such purchase, investment, loan, guarantee or commitment, the aggregate amount thereof would exceed the greater of fifteen percent (15%) of Total Utility Plant or fifty percent (50%) of Equity.

(ii) The following shall not be included in the limitation of purchases, investments, loans and guarantees in (i) above: (a) bonds, notes, debentures, stock, or other securities or obligations issued by or guaranteed by the United States or any agency or instrumentality thereof; (b) bonds, notes, debentures, stock, commercial paper, subordinated capital certificates, or any other security or obligation issued by CFC or by institutions whose senior unsecured debt obligations are rated by at least two nationally recognized rating organizations in either of their two highest categories; (c) investments incidental to loans made by CFC; (d) any deposit that is fully insured by the United States; (e) loans and grants made by any Governmental Authority to the Borrower under any rural economic development program, but only to the extent that such loans and grants are non-recourse to the Borrower; and (f) unretired patronage capital allocated to the Borrower by CFC, a cooperative from which the Borrower purchases electric power, or a statewide cooperative association of which Borrower is a member.

(iii) In no event may the Borrower take any action pursuant to subsection (i) if an Event of Default under this Agreement has occurred and is continuing,

**E. Organizational Change.** Change its type of organization or other legal structure, except as permitted by Section 5.02.A. hereof, in which case the Borrower shall provide at least 30 days prior written notice to CFC together with all documentation reflecting such change as CFC may reasonably require.

**F. Notice of Change in Borrower Information.** Change its (i) state of incorporation, (ii) legal name, (iii) mailing address, or (iv) organizational identification number, if it has one, unless the Borrower provides written notice to CFC at least thirty (30) days prior to the effective date of any such change together with all documentation reflecting any such change as CFC may reasonably require.

## ARTICLE VI

## EVENTS OF DEFAULT

**Section 6.01** The following shall be "Events of Default" under this Agreement:

**A. Representations and Warranties.** Any representation or warranty made by the Borrower herein, or in any of the other Loan Documents, or in any certificate or financial statement furnished to CFC hereunder or under any of the other Loan Documents shall prove to be false or misleading in any material respect.

**B. Payment.** The Borrower shall fail to pay (whether upon stated maturity, by acceleration, or otherwise) any principal, interest, premium (if any) or other amount payable under the Note and the Loan Documents within five (5) Business Days after the due date thereof.

**C. Other Covenants.**

(i) **No Grace Period.** Failure of the Borrower to observe or perform any covenant or agreement contained in the Project Agreement or in Sections 5.01.A, 5.01.B, 5.01.D, 5.01.E, 5.01.G, 5.01.I, 5.01.N, 5.01.O and 5.02 of this Agreement.

(ii) **Thirty Day Grace Period.** Failure of the Borrower to observe or perform any other covenant or agreement contained in this Agreement or any of the other Loan Documents, which shall remain unremedied for thirty (30) calendar days after written notice thereof shall have been given to the Borrower by CFC.

**D. Legal Existence, Permits and Licenses.** The Borrower shall forfeit or otherwise be deprived of (i) its authority to conduct business in the jurisdiction in which it is organized or in any other jurisdiction where such authority is required in order for the Borrower to conduct its business in such jurisdiction or (ii) permits, easements, consents or licenses required to carry on any material portion of its business.

**E. Other CFC Obligations.** The Borrower shall be in breach or default of any Obligation, which breach or default continues uncured beyond the expiration of any applicable grace period.

**F. Other Obligations.** The Borrower shall (i) fail to make any payment of any principal, premium or any other amount due or interest on any indebtedness with parties other than CFC which shall remain unpaid beyond the expiration of any applicable grace period, or (ii) be in breach or default with respect to any other term of any evidence of any other indebtedness with parties other than CFC or of any loan agreement, mortgage or other agreement relating thereto which breach or default continues uncured beyond the expiration of any applicable grace period, if the effect of such failure, default or breach is to cause the holder or holders of that indebtedness to cause that indebtedness to become or be declared due prior to its stated maturity (upon the giving or receiving of notice, lapse of time, both or otherwise).

**G. Involuntary Bankruptcy.** An involuntary case or other proceeding shall be commenced against the Borrower seeking liquidation, reorganization or other relief with respect to it or its debts under bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property and such involuntary case or other proceeding shall continue without dismissal or

stay for a period of sixty (60) days; or an order for relief shall be entered against the Borrower under the federal bankruptcy laws or applicable state law as now or hereafter in effect.

**H. Insolvency.** The Borrower shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall admit in writing its inability to, or be generally unable to, pay its debts as they become due, or shall take any action to authorize any of the foregoing.

**I. Dissolution or Liquidation.** Other than as provided in subsection H. above, the dissolution or liquidation of the Borrower, or failure by the Borrower promptly to forestall or remove any execution, garnishment or attachment of such consequence as will impair its ability to continue its business or fulfill its obligations and such execution, garnishment or attachment shall not be vacated within sixty (60) days. The term "dissolution or liquidation of the Borrower", as used in this subsection, shall not be construed to include the cessation of the corporate existence of the Borrower resulting either from a merger or consolidation of the Borrower into or with another corporation following a transfer of all or substantially all its assets as an entirety, under the conditions set forth in Section 5.02.A.

**J. Material Adverse Change.** Any material adverse change in the business or condition, financial or otherwise, of the Borrower.

**K. Monetary Judgment.** The Borrower shall suffer any money judgment not covered by insurance, writ or warrant of attachment or similar process involving an amount in excess of $100,000 and shall not discharge, vacate, bond or stay the same within a period of sixty (60) days.

**L. Nonmonetary Judgment.** One or more nonmonetary judgments or orders (including, without limitation, injunctions, writs or warrants of attachment, garnishment, execution, distraint, replevin or similar process) shall be rendered against the Borrower that, either individually or in the aggregate, could reasonably be expected to have a material adverse effect upon the business, operations, prospects, assets, liabilities or financial condition of the Borrower.

## ARTICLE VII

## REMEDIES

**Section 7.01** If any of the Events of Default listed in Section 6 hereof shall occur after the date of this Agreement and shall not have been remedied within the applicable grace periods specified therein, then CFC may:

(i) Cease making Advances hereunder;

(ii) Declare all unpaid principal outstanding on the Note, all accrued and unpaid interest thereon, and all other Obligations to be immediately due and payable and the same shall thereupon become immediately due and payable without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived;

(iii) Exercise rights of setoff or recoupment and apply any and all amounts held, or hereby held, by CFC or owed to the Borrower or for the credit or account of the Borrower against any and all of the Obligations of the Borrower now or hereafter existing hereunder or under the Note, including, but not limited to, patronage capital allocations and retirements, money due to Borrower from equity certificates purchased from CFC, and any membership or other fees that would otherwise be returned to Borrower but excluding any LCTCs purchased by the Borrower pursuant to this Agreement. The rights of CFC under this section are in addition to any other rights and remedies (including other rights of setoff or recoupment) which CFC may have. The Borrower waives all rights of setoff, deduction, recoupment or counterclaim;

(iv) Pursue all rights and remedies available to CFC that are contemplated by the Mortgage and the other Loan Documents in the manner, upon the conditions, and with the effect provided in the Mortgage and the other Loan Documents, including, but not limited to, a suit for specific performance, injunctive relief or damages;

(v) Pursue any other rights and remedies available to CFC at law or in equity.

Nothing herein shall limit the right of CFC to pursue all rights and remedies available to a creditor following the occurrence of an Event of Default. Each right, power and remedy of CFC shall be cumulative and concurrent, and recourse to one or more rights or remedies shall not constitute a waiver of any other right, power or remedy.

## ARTICLE VIII

## MISCELLANEOUS

**Section 8.01 Notices.** All notices, requests and other communications provided for herein including, without limitation, any modifications of, or waivers, requests or consents under, this Agreement shall be given or made in writing (including, without limitation, by telecopy) and delivered to the intended recipient at the "Address for Notices" specified below; or, as to any party, at such other address as shall be designated by such party in a notice to each other party. All such communications shall be deemed to have been duly given (i) when personally delivered including, without limitation, by overnight mail or courier service, (ii) in the case of notice by United States mail, certified or registered, postage prepaid, return receipt requested, upon receipt thereof, or (iii) in the case of notice by telecopy, upon transmission thereof, provided such transmission is promptly confirmed by either of the methods set forth in clauses (i) or (ii) above in each case given or addressed as provided for herein. The Address for Notices of each of the respective parties is as follows:

National Rural Utilities Cooperative Finance Corporation
2201 Cooperative Way
Herndon, Virginia 20171-3025
Attention: Senior Vice President – Member Services
Fax # 703-709-6776

The Borrower:

The address set forth in
Schedule 1 hereto

**Section 8.02 Expenses.** Borrower shall reimburse CFC for any reasonable costs and out-of-pocket expenses paid or incurred by CFC (including, without limitation, reasonable fees and expenses of outside attorneys, paralegals and consultants) for all actions CFC takes, (a) to enforce the payment of any Obligation, to effect collection of any Mortgaged Property, or in preparation for such enforcement or collection, (b) to institute, maintain, preserve, enforce and foreclose on CFC's security interest in or Lien on any of the Mortgaged Property, whether through judicial proceedings or otherwise, (c) to restructure any of the Obligations, (d) to review, approve or grant any consents or waivers hereunder, (e) to prepare, negotiate, execute, deliver, review, amend or modify this Agreement, (f) to prepare, negotiate, execute, deliver, review, amend or modify any other agreements, documents and instruments deemed necessary or appropriate by CFC in connection with any of the foregoing, and (g) to obtain any opinions required to be furnished upon a Determination of Tax Credit Ineligibility and an extraordinary prepayment as set forth in Section 3.04 hereof or a rescission of excess money as set forth in Section 3.05 or a cancellation of excess moneys as set forth in Section 3.06.

The amount of all such expenses identified in this Section 8.02 shall be secured by the Mortgage and shall be payable upon demand, and if not paid, shall accrue interest at the Default Rate.

**Section 8.03 Late Payments.** If payment of any amount due hereunder is not received at CFC's office in Herndon, Virginia, or such other location as CFC may designate to the Borrower within five (5) Business Days after the due date thereof, the Borrower will pay to CFC, in addition to all other amounts due under the terms of the Loan Documents, any late payment charge as may be fixed by CFC from time to time pursuant to its policies of general application as in effect from time to time.

**Section 8.04. Non-Business Day Payments.** If any payment to be made by the Borrower hereunder shall become due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall be included in computing any interest in respect of such payment.

**Section 8.05 Filing Fees.** To the extent permitted by law, the Borrower agrees to pay all expenses of CFC (including the reasonable fees and expenses of its counsel) in connection with the filing, registration, recordation or perfection of the Mortgage and any other security instruments as may be required by CFC in connection with this Agreement, including, without limitation, all documentary stamps, recordation and transfer taxes and other costs and taxes incident to execution, filing, registration or recordation of any document or instrument in connection herewith. The Borrower agrees to save harmless and indemnify CFC from and against any liability resulting from the failure to pay any required documentary stamps, recordation and transfer taxes, recording costs, or any other expenses incurred by CFC in connection with this Agreement. The provisions of this subsection shall survive the execution and delivery of this Agreement and the payment of all other amounts due under the Loan Documents.

**Section 8.06 Waiver; Modification.** No failure on the part of CFC to exercise, and no delay in exercising, any right or power hereunder or under the other Loan Documents shall operate as a waiver thereof, nor shall any single or partial exercise by CFC of any right hereunder, or any abandonment or discontinuance of steps to enforce such right or power, preclude any other or further exercise thereof or the exercise of any other right or power. No modification or waiver of any provision of this Agreement, the Note or the other Loan Documents and no consent to any departure by the Borrower therefrom shall in any event be effective unless the same shall be in writing by the

party granting such modification, waiver or consent, and then such modification, waiver or consent shall be effective only in the specific instance and for the purpose for which given.

**SECTION 8.07 GOVERNING LAW; SUBMISSION TO JURISDICTION; WAIVER OF JURY TRIAL.**

(A) THE PERFORMANCE AND CONSTRUCTION OF THIS AGREEMENT AND THE NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE COMMONWEALTH OF VIRGINIA.

(B) THE BORROWER HEREBY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF THE UNITED STATES COURTS LOCATED IN VIRGINIA AND OF ANY STATE COURT SO LOCATED FOR PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. THE BORROWER IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTIONS THAT IT MAY NOW OR HEREAFTER HAVE TO THE ESTABLISHING OF THE VENUE OF ANY SUCH PROCEEDINGS BROUGHT IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

(C) THE BORROWER AND CFC EACH HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

**SECTION 8.08 INDEMNIFICATION.** THE BORROWER HEREBY INDEMNIFIES AND AGREES TO HOLD HARMLESS, AND DEFEND CFC AND ITS MEMBERS, DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, ATTORNEYS AND REPRESENTATIVES (EACH AN "INDEMNITEE") FOR, FROM, AND AGAINST ALL CLAIMS, DAMAGES, LOSSES, LIABILITIES, COSTS, AND EXPENSES (INCLUDING, WITHOUT LIMITATION, COSTS AND EXPENSES OF LITIGATION AND REASONABLE ATTORNEYS' FEES) ARISING FROM ANY CLAIM OR DEMAND IN RESPECT OF THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS, THE MORTGAGED PROPERTY, OR THE TRANSACTIONS DESCRIBED IN THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS AND ARISING AT ANY TIME, WHETHER BEFORE OR AFTER PAYMENT AND PERFORMANCE OF ALL OBLIGATIONS UNDER THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS IN FULL, EXCEPTING ANY SUCH MATTERS ARISING SOLELY FROM THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF CFC OR ANY INDEMNITEE INCLUDING WITHOUT LIMITATION ANY DETERMINATION MADE OR OTHER ACTION TAKEN BY CFC PURSUANT TO SECTIONS 3.04, 3.05 and 3.06 OF THIS AGREEMENT. NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN SECTION 8.10 HEREOF, THE OBLIGATIONS IMPOSED UPON THE BORROWER BY THIS SECTION SHALL SURVIVE THE REPAYMENT OF THE NOTE, THE TERMINATION OF THIS AGREEMENT AND THE TERMINATION OR RELEASE OF THE LIEN OF THE MORTGAGE.

**Section 8.09 Complete Agreement.** This Agreement, together with the schedules to this Agreement, the Note and the other Loan Documents, and the other agreements and matters referred to herein or by their terms referring hereto, is intended by the parties as a final expression of their agreement and is intended as a complete statement of the terms and conditions of their agreement. In the event of any conflict in the terms and provisions of this Agreement and any other Loan Documents, the terms and provisions of this Agreement shall control.

**Section 8.10 Survival; Successors and Assigns.** All covenants, agreements, representations and warranties of the Borrower which are contained in this Agreement shall survive the execution and delivery to CFC of the Loan Documents and the making of the Loan hereunder and shall continue in full force and effect until all of the obligations under the Loan Documents have been paid in full. All covenants, agreements, representations and warranties of the Borrower which are contained in this Agreement shall inure to the benefit of the successors and assigns of CFC. The Borrower shall not have the right to assign its rights or obligations under this Agreement without the prior written consent of CFC, except as provided in Section 5.02.A hereof.

**Section 8.11 Use of Terms.** The use of the singular herein shall also refer to the plural, and vice versa.

**Section 8.12 Headings.** The headings and sub-headings contained in this Agreement are intended to be used for convenience only and do not constitute part of this Agreement.

**Section 8.13 Severability.** If any term, provision or condition, or any part thereof, of this Agreement, the Note or the other Loan Documents shall for any reason be found or held invalid or unenforceable by any governmental agency or court of competent jurisdiction, such invalidity or unenforceability shall not affect the remainder of such term, provision or condition nor any other term, provision or condition, and this Agreement, the Note and the other Loan Documents shall survive and be construed as if such invalid or unenforceable term, provision or condition had not been contained therein.

**Section 8.14 Binding Effect.** This Agreement shall become effective when it shall have been executed by both the Borrower and CFC and thereafter shall be binding upon and inure to the benefit of the Borrower and CFC and their respective successors and assigns.

**Section 8.15 Counterparts.** This Agreement may be executed in one or more counterparts, each of which will be deemed an original and all of which together will constitute one and the same document. Signature pages may be detached from the counterparts and attached to a single copy of this Agreement to physically form one document.

**Section 8.16 Disclosure.** This Agreement and any other Loan Document may be shared by CFC with such Persons as shall be required in order to facilitate the issuance of the CREBs, including, but not limited to, its attorneys, underwriters and investors in the CREBs.

**Section 8.17 Schedule 1.** Schedule 1 attached hereto is an integral part of this Agreement.

**IN WITNESS WHEREOF,** the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

SULPHUR SPRINGS VALLEY
ELECTRIC COOPERATIVE, INC.

(SEAL)

By: Gene Manning

Title: President

Attest: _____
~~Secretary~~

CREDEN W. HUBER
CHIEF EXECUTIVE OFFICER

NATIONAL RURAL UTILITIES
COOPERATIVE FINANCE CORPORATION

(SEAL)

By: Marianne Dusold
Assistant Secretary-Treasurer

**MARIANNE L DUSOLD**

Attest: _____
Assistant Secretary-Treasurer

**CRAIG COLANTONI**

## SCHEDULE 1

1. The purpose of this loan is to finance (i) the reimbursement of the cost of the Project of the Borrower, including any reasonable costs and expenses incurred by the Borrower in connection with financing the Project, as described and permitted by the terms of the Project Agreement and (ii) a portion of CFC's costs in issuing the CREBs as set forth in Section 3.02.A.

2. The Project of the Borrower being financed by the Loan (funded by proceeds of the CREBs) constitutes the following clean renewable energy facilities:

   Benson Unified School District Photovoltaic Solar Automobile Parking Shade Structure

   This project will place photovoltaic modules costing $280,000 each, that will produce 23 kW of electricity in the shade structures in the three Benson Unified School District schools. The PV structure will provide electricity to the respective school with excess power flowing to the Borrower's system.

3. Subject to the terms of this Agreement, CFC has agreed to loan to the Borrower from proceeds of the CREBs, an amount not to exceed $840,000.00 (the "CFC Commitment").

4. Draw Period shall mean the period beginning on the Closing Date and ending on the date that is five (5) years thereafter.

5. The Borrower shall not purchase the LCTCs or any portion thereof with funds from the Loan. The Borrower shall use its own funds or funds borrowed under another credit facility to purchase such LCTCs, subject to the CFC policies regarding LCTCs set forth in the following paragraph.

   **CFC Policies Regarding LCTCs:** (i) Any solvent Member of CFC with an outstanding LCTC purchased in connection with a loan from the proceeds of Securities may borrow the outstanding amount of the LCTC from CFC without a further credit review, for a term equal to or shorter than the maturity of the LCTC at a rate equal to the comparable rate charged by CFC for similarly classified loans; and (ii) any Member of CFC with an outstanding LCTC purchased in connection with a loan from the proceeds of Securities may sell such LCTC to another Member of CFC for consideration.

6. The Mortgage shall mean the Restated Mortgage and Security Agreement, dated as of December 6, 2007, between the Borrower and CFC, as it may have been supplemented, amended, consolidated, or restated from time to time.

7. The Note executed pursuant hereto is as follows:

| LOAN NUMBER | AMOUNT |
|---|---|
| AZ014-A-9031-CB001 | $840,000.00 |

8. The Subsidiaries of the Borrower referred to in Section 2.01.B. are: None

9. The date of the Borrower's balance sheet referred to in Section 2.01.H is June 30, 2006.

10. The Borrower's exact legal name is: Sulphur Springs Valley Electric Cooperative, Inc.

11. The Borrower's organizational type is: Corporation

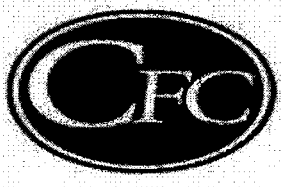
12. The Borrower is organized under the laws of the state of: Arizona

13. The Borrower's organizational identification number is: 0038220-2

14. The place of business or, if more than one, the chief executive office of the Borrower referred to in Section 2.01.I is 311 East Wilcox, Sierra Vista, Arizona 85635.

15. The Governmental Authority referred to in Section 2.01.J. is: Arizona Corporation Commission

16. The address for notices to the Borrower referred to in Section 8.01 is 311 East Wilcox, Sierra Vista, Arizona 85635, Attention: General Manager, Fax: (520) 384-5223.



## Exhibit A - Funds Requisition Statement

Borrower Name & ID: Sulphur Springs Valley Electric Cooperative, Inc. (AZ014)
Loan Number: AZ014-A-9031-CB001
Loan Agreement and Project Agreement with CFC dated:
CREBs Series: 2008A
CFC CREBs Application #: 3
Name of Project: Benson Unified School District Photovoltaic Solar Automobile Parking Shade Structure
Funds Requisition Statement No.:

**Amount Requested:**
**Date Of Advance:**

**Disposition of Funds (wiring instructions):**

### Certification

Acting on behalf of the Borrower, I hereby certify that as of the date below: (1) I am duly authorized to make this certification and to request funds on the terms specified herein; (2) the Borrower has met all of the conditions contained in the Loan Agreement and the Project Agreement listed above governing the terms of this Advance that the Borrower is required to meet prior to an Advance of funds; (3) all of the representations and warranties contained in said Loan Agreement and Project Agreement are true and will continue to be true upon use of the funds as hereby requested; (4) no Event of Default, under the Loan Agreement or the Borrower's Mortgage, has occurred and is continuing; (5) I know of no other event that has occurred which, with the lapse of time and/or notification to CFC of such event, or after giving effect to this Advance, would become an Event of Default under the Loan Agreement or the Borrower's Mortgage; (6) the funds requested herein will be used only as a reimbursement for the purposes specified in the Loan Agreement and the Project Agreement; (7) the costs to be reimbursed by the funds requested herein are capital expenditures and have not previously been reimbursed under a previous Funds Requisition Statement; (8) the Borrower has secured sufficient funds to complete the Project; (9) any necessary permits and approvals required for the Project at this point have been obtained; (10) the Borrower is maintaining a file containing true and correct copies of invoices or bills of sale covering all items for which payment is sought by this request; (11) such costs have been incurred and paid by the Borrower in connection with the Project; (12) the Borrower is not using the funds requested hereby to make any payments of principal or interest due under the Loan Agreement; (13) no expenditure which is being reimbursed by the funds requested hereby was paid more than eighteen months after the later of (i) the date the expenditure is paid or (ii) the date the Project is placed in service, but in no event later than three years after the date the original expenditure was paid; and (14) set forth below is a table listing all of the major components of the Project, how much is being requested in this Funds Requisition Statement as an advance for certain components, how much has been advanced on each component to date, the percentage of each component that is completed

to date, and the purpose of the advance(s) being requested by this Funds Requisition Statement.

I hereby authorize CFC, for and on behalf of the Borrower, to forward this Funds Requisition Statement to the Trustee for disbursement of the Advance from the Project Account relating to the above Loan to the Borrower on the following terms, and hereby acknowledge and agree that such terms shall be binding upon Borrower under the provisions of the Loan Agreement governing this Advance:

| Project Component | Amount Expended to Date by Borrower | Amount Advanced to Date | Advance Amount Requested Herein | Percentage Complete |
|---|---|---|---|---|
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| | | | | |
| Total | | | | |

Certified By:

_____ _____ _____

Signature Date Title of Authorized Officer

**PLEASE FAX TO 703-709-6776 ATTN: _____, Associate Vice President**

APPROVED:

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION

By: _____
Title: _____
Date: _____

**EXHIBIT B**

**BRING-DOWN CERTIFICATE OF BORROWER**

The undersigned, _____, duly qualified officers of SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (the *"Borrower"*), an Arizona corporation, hereby certify as follows:

1. The following documents have been duly executed, and delivered or accepted in the name and on behalf of the Borrower by the authorized officer or officers of the Borrower pursuant to, and in full compliance with, authority granted by the Board of Trustees/Directors of the Borrower:

| DOCUMENT | DATE | OTHER PARTY OR PARTIES |
|---|---|---|
| Loan Agreement (the *"Agreement"*) | _____, 200_ | National Rural Utilities Cooperative Finance Corporation (*"CFC"*) |
| Project Agreement (the *"Project Agreement"*) | _____, 200_ | |
| Note (the *"Note"*) | _____, 200_ | |

2. Each of the representations and warranties of the Borrower in the Loan Agreement and the Project Agreement are true and correct on and as of the date hereof (the *"Closing Date"*), and the Borrower has complied with all agreements and satisfied all conditions on its part to be observed or satisfied thereunder at or prior to the Closing Date.

IN WITNESS WHEREOF, the undersigned have hereunto set their signatures this ____ day of _____, 2008.

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

By _____
Title:

By _____
Title:

**EXHIBIT C**

**COMPLETION CERTIFICATE**
**OF**
**BORROWER**

Pursuant to the Loan Agreement dated as of _____ by and between SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (the "Borrower") and National Rural Utilities Cooperative Finance Corporation ("CFC") relating to CFC Loan Number AZ014-A-9031-CB001 (the "Loan Agreement"), the undersigned, _____, duly qualified officer of the Borrower, hereby certifies as follows:

(i) On [date of completion] all portions of the Project (as defined in the Loan Agreement) have been fully completed substantially in accordance with any plans and specifications therefore, as then amended; and

(ii) Amount advanced on the Loan (as defined in the Loan Agreement) and the use of the property financed, refinanced or reimbursed therefrom will not cause any of the representations or certifications contained in the Project Agreement (as defined in the Loan Agreement) to be untrue or result in a violation of any covenant in the Project Agreement.

IN WITNESS WHEREOF, the undersigned have hereunto set his/her signature this ____ day of _____, 20____.

SULPHUR SPRINGS VALLEY ELECTRIC
COOPERATIVE, INC.

By _____
Title:

**EXHIBIT D**

**TERMINATION CERTIFICATE**
**OF**
**BORROWER**

Pursuant to the Loan Agreement dated as of _____ by and between SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (the "Borrower") and National Rural Utilities Cooperative Finance Corporation ("CFC") relating to CFC Loan Number AZ014-A-9031-CB001 (the "Loan Agreement"), the undersigned, _____, duly qualified officer of the Borrower, hereby certifies as follows:

(i) all portions of the Project (as defined in the Loan Agreement) have not been fully completed substantially in accordance with any plans and specifications therefor, as then amended;

(ii) no further acquisition, construction or installation will occur with respect to the Project (as defined in the Loan Agreement); and

(iii) the Borrower does not intend to request any further Advances (as defined in the Loan Agreement) on the Loan (as defined in the Loan Agreement).

IN WITNESS WHEREOF, the undersigned have hereunto set his/her signature this ____ day of _____, 20____.

SULPHUR SPRINGS VALLEY ELECTRIC
COOPERATIVE, INC.

By _____
Title:

**SECURED PROMISSORY NOTE**

$560,000.00 dated as of 12/21/2007

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC., an Arizona corporation (the "Borrower"), for value received, hereby promises to pay, without setoff, deduction, recoupment or counterclaim, to the order of NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION (the "Payee"), at its office in Herndon, Virginia office or such other location at its office in Herndon, Virginia or such other location as the Payee may designate to the Borrower, in lawful money of the United States, the principal sum of FIVE HUNDRED SIXTY THOUSAND AND 00/100 DOLLARS ($560,000.00), or such lesser sum of the aggregate unpaid principal amount of all advances made by the Payee pursuant to that certain Loan Agreement dated as of even date herewith between the Borrower and the Payee, as it may be amended from time to time (herein called the "Loan Agreement"), and to pay interest on all amounts remaining unpaid hereunder from the date of each advance in like money, at said office, at the rate and in amounts and payable on the dates provided in the Loan Agreement together with any other amount payable under the Loan Agreement. If not sooner paid, any balance of the principal amount and interest accrued thereon shall be due and payable on the Maturity Date.

This Note is secured under a Restated Mortgage and Security Agreement, dated of December 6, 2007 between the Borrower and the Payee, as it may have been or shall be supplemented, amended, consolidated or restated from time to time ("Mortgage"). This Note is one of the Notes referred to in, and has been executed and delivered pursuant to, the Loan Agreement.

The principal hereof and interest accrued thereon and any other amount due under the Loan Agreement may be declared to be forthwith due and payable in the manner, upon the conditions, and with the effect provided in the Mortgage or the Loan Agreement.

The Borrower waives demand, presentment for payment, notice of dishonor, protest, notice of protest, and notice of non-payment of this Note.

IN WITNESS WHEREOF the Borrower has caused this Note to be signed in its corporate name and its corporate seal to be hereunto affixed and to be attested by its duly authorized officers, all as of the day and year first above written.

SULPHUR SPRINGS VALLEY
ELECTRIC COOPERATIVE, INC.

(SEAL)

By: Gene Manning

Title: President

Attest: _____
~~Secretary~~

Loan No. AZ014-A-9034-CB001

CREDEN W. HUBER
CHIEF EXECUTIVE OFFICER

CFC NOTE
AZ014-A-9034-CB001 (JABLONJ)
116033-2

# PROJECT AGREEMENT

## OF

## SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (THE *"BORROWER"*)

DATED: as of 12/21/2007

The undersigned is a duly qualified officer of the Borrower named above and, as such officer, is familiar with (i) the properties, affairs and records of the Borrower, (ii) the issuance of the Securities (as hereinafter defined) and the use of the proceeds thereof as it relates to the Borrower and (iii) the Project, as hereinafter defined.

In connection with the issuance of the Clean Renewable Energy Bonds (Cooperative Renewable Energy Projects) Series 2008A (the *"Securities"*), being issued by the National Rural Utilities Cooperative Finance Corporation (the *"Issuer"*), the undersigned hereby certifies and covenants regarding the use of the proceeds of the Securities advanced to the Borrower, as follows:

1. General.

1.1 This Project Agreement is made pursuant to Section 54 of the Internal Revenue Code of 1986, as amended (the *"Code"*), and any United States Treasury regulations and other guidance thereunder to make the certifications required by Section 54 of the Code and any United Stares Treasury regulations and other guidance thereunder and to establish the reasonable expectations of the Borrower with respect to the amount and use of amounts to be advanced to the Borrower pursuant to the Loan Agreement dated as of even date herewith between the Issuer and the Borrower (the *"Loan Agreement"*). Capitalized terms used herein are defined where they first appear or are defined in *Exhibit A* attached hereto.

1.2 This Project Agreement is based on facts and estimates in existence on the date hereof and the continued veracity of these facts and estimates as of the date that the Securities are issued (the *"Closing"*) will be confirmed by the Borrower on the date of Closing, and on the basis of such facts and estimates, the Borrower expects that the events described herein will occur. To the best of the undersigned's knowledge, information, and belief, the expectations contained in this Project Agreement are reasonable.

1.3 The Borrower is a Qualified Borrower, as defined in *Exhibit A,* and is responsible for the acquiring/constructing/equipping of the Project (defined below). The undersigned has reviewed this Project Agreement, as well as the provisions of Section 54 of the Code and any United States Treasury regulations and other

guidance thereunder, with its own legal counsel and understands and is familiar with this Project Agreement and the provisions of Section 54 and any United States Treasury regulations and other guidance thereunder. The Borrower will comply in all respects with the provisions of Section 54 and any United States Treasury regulations and other guidance thereunder.

1.4 The Borrower agrees to keep and retain or cause to be kept and retained sufficient records to demonstrate compliance with the covenants in this Project Agreement. Such records shall include, but are not limited to, basic records relating to the issuance of the Securities (including this Project Agreement and the inducement resolution as described in Section 3.3 hereof); documentation evidencing the expenditure of amounts advanced to the Borrower pursuant to the Loan Agreement; documentation evidencing the use of property financed with amounts advanced to the Borrower pursuant to the Loan Agreement; and documentation evidencing all sources of payment or security maintained by the Borrower for amounts advanced to the Borrower pursuant to the Loan Agreement. Such records shall be kept until the date three (3) years after the CREB Maturity Date.

1.5 Neither the Borrower nor any Related Person (as defined in Exhibit A) to the Borrower will purchase any Securities.

2. Qualified Project.

2.1 The Loan Agreement requires the amounts advanced thereunder to be used for facilities to be owned by the Borrower, described in more detail in Section 2.2 hereof and in *Exhibit B* attached hereto as the "Updated Description of the Project" (the *"Project"*). The Project was originally described in an exhibit to the Application for National Clean Renewable Energy Bond Limitation submitted to the Internal Revenue Service by the Issuer in support of the national clean renewable energy bond allocation received by the Issuer, which "Original Description of the Project" is attached hereto as *Exhibit C*.

2.2 The Project is a Solar Energy Facility (the *"Qualifying Facility"*), as defined in *Exhibit A* and property functionally related and subordinate thereto, as further described in *Exhibit B*, attached hereto.

3. Clean Renewable Energy Bonds Qualification.

3.1 At least 95 percent of the proceeds advanced to the Borrower pursuant to the Loan Agreement will be used by the Borrower for capital expenditures with respect to the Project. None of the proceeds of the Loan (as defined in the Loan Agreement) will be paid to the Issuer, the Borrower or any Related Person to the Issuer or the Borrower, except for amounts paid to the Borrower to reimburse the Borrower for actual and direct expenditures relating to the Project paid by the Borrower to persons other than the Issuer, the Borrower or any Related Person to the Issuer or the Borrower.

3.2 The Borrower has incurred or will, within six months of the Closing Date, incur a substantial binding obligation (not subject to contingencies within the control of the Issuer, the Borrower or any Related Person to either of them) to a third party to expend at least ten percent of the Loan Amount (*i.e.* the total amount to be advanced to the Borrower pursuant to the Loan Agreement). It is expected that the work of acquiring/constructing/equipping the Project and the expenditure of the Loan Amount will proceed with due diligence through September 22, 2008, at which time it is anticipated that the Loan Amount will have been spent in its entirety. The Borrower acknowledges that, to the extent that less than 95 percent of the Loan Amount is expended by a date five years from the date of issuance of the Securities, the Borrower will be required to prepay its Loan in an amount, and the Issuer will redeem Securities at the end of such five-year period in an amount, necessary to maintain the tax credit with respect to the Securities, unless otherwise permitted by Section 6.5 hereof.

It is expected that all amounts advanced to the Borrower under the Loan Agreement will be spent to pay costs of the Project in accordance with the estimated periodic drawdown schedule contained in *Exhibit D,* attached hereto. The assumptions set forth in this Section 3.2 and on *Exhibit D,* attached hereto, represent the Borrower's best estimate, as of this date, of the periodic drawdown schedule of the Loan Amount.

3.3 The Borrower may use amounts advanced to the Borrower under the Loan Agreement to reimburse itself for expenditures paid prior to the date of issuance of the Securities. The Borrower shall reimburse itself for expenditures paid prior to the date of issuance of the Securities only if such expenditure was paid after the Borrower adopted an inducement resolution, and the expenditure is described in such inducement resolution.

**The Borrower shall use proceeds of the Loan to reimburse itself for expenditures paid prior to the date the Securities were issued only if such reimbursement is made within eighteen months after the later of (i) the date the expenditure is paid or (ii) the date the Project is placed in service, but in no event later than three years after the date the original expenditure was paid.**

Except for any reimbursement allowed under this Section 3.3, no portion of the proceeds advanced to the Borrower will be used to pay for expenditures relating to acquiring existing facilities (as contrasted with costs of enhancements, repair or rehabilitation of existing facilities).

3.4 Neither the Project nor any portion thereof has been, is expected to be, or will be sold or otherwise disposed of, in whole or in part, prior to the last maturity date of the Securities.

3.5 The Borrower has entered into the Loan Agreement of even date hereof under which it is committed to borrow $560,000 from the Issuer of the Securities and the Borrower reasonably expects to borrow and expend the full amount of such commitment.

3.6 At least 75% of the Loan Amount is expected to be used for Construction Purposes.

3.7 The Borrower will not use proceeds of the Loan (i) to pre-pay for goods or services to be received over a period of years prior to the date such goods or services are to be received, or (ii) to pay for or otherwise acquire goods or services from an Affiliated Person, as defined in *Exhibit A*.

3.8 The Borrower shall at all times be a Qualified Borrower.

4. Remedial Action.

4.1 The Borrower agrees to operate the Project as a Qualifying Facility.

The Borrower acknowledges that if property financed with proceeds of the Securities advanced to the Borrower is operated in a manner other than as a Qualifying Facility such operation may constitute a "deliberate action" that may require remedial actions to prevent the tax credit being produced by the Securities from being disallowed.

The Borrower shall promptly contact the Issuer as provided in Section 6.3 hereof if it considers operating property financed with proceeds of the Loan other than as a Qualifying Facility.

4.2 The Borrower acknowledges that if property financed with proceeds of the Loan is sold or otherwise disposed of in a manner contrary to the provisions of Section 3.4 hereof, such sale or disposition may constitute a "deliberate action" that may require remedial actions to prevent the tax credit being produced by the Securities from being disallowed. If the Borrower considers the sale or other disposition of property financed with proceeds of the Loan, it shall promptly contact the Issuer, in the manner set forth in Section 6.3 hereof.

5. Funds and Accounts; Investments.

5.1 After the issuance of the Securities, neither the Borrower nor any Related Person to the Borrower has or will have any property, including cash, securities or any other property held as a passive vehicle for the production of income or for investment purposes, that constitutes:

(i) amounts that have a sufficiently direct nexus to the Securities or to the governmental purpose of the Securities to conclude that the amounts would

have been used for that governmental purpose if the Securities were not used or to be used for that governmental purpose (the mere availability or preliminary earmarking of such amounts for a governmental purpose, however, does not itself establish such a sufficient nexus);

(ii) amounts in a debt service fund, redemption fund, reserve fund, replacement fund or any similar fund to the extent reasonably expected to be used directly or indirectly to pay principal of or interest on the Securities or any amounts for which there is provided, directly or indirectly, a reasonable assurance that the amount will be available to pay principal of or interest on the Securities or any credit enhancement or liquidity device with respect to the Securities, even if the Issuer, the Borrower or any Related Person to either of them encounter financial difficulties; or

(iii) any amounts held pursuant to any agreement (such as an agreement to maintain certain levels of types of assets) made for the benefit of the holders of the Securities or any credit enhancement provider, including any liquidity device or negative pledge (*e.g.*, any amount pledged to pay principal of or interest on an issue held under an agreement to maintain the amount at a particular level for the direct or indirect benefit of holders of the Securities or a guarantor of the Securities).

No compensating balance, liquidity account, negative pledge of property held for investment purposes required to be maintained at least at a particular level or similar arrangement exists with respect to, in any way, the Securities or any credit enhancement or liquidity device related to the Securities.

5.2 During the acquiring/constructing/equipping of the Project, the Borrower will only draw down amounts from the Issuer for capital expenditures already paid by the Borrower.

5.3 Neither the Borrower nor any Related Person to the Borrower will enter into any hedge (*e.g.*, an interest rate swap, interest rate cap, futures contract, forward contract or an option) with respect to the Loan or the Securities.

5.4 All property subject to the Mortgage is and will be used by the Borrower in the conduct of its trade or business. The Borrower reasonably expects to repay the Loan from current operating revenues. The Mortgage does not require that cash, securities, obligations, annuity contracts or other property held principally as a passive vehicle for the production of income be maintained, individually or collectively, at any particular level.

6. Miscellaneous.

6.1 This Project Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia.

6.2 Prior to the date 15 days before the Securities were sold, neither the Borrower nor any Related Person to the Borrower has sold or delivered any obligations that are reasonably expected to be paid out of substantially the same source of funds as the Securities. Neither the Borrower nor any Related Person to the Borrower will sell or deliver within 15 days after the date hereof any obligations that are reasonably expected to be paid out of substantially the same source of funds as the Securities.

6.3 All notices provided for herein shall be given or made in writing (including, without limitation, by telecopy) and delivered to the Issuer at the "Address for Notices" specified below. All such communications shall be deemed to have been duly given (i) when personally delivered including, without limitation, by overnight mail or courier service, (ii) in the case of notice by United States mail, certified or registered, postage prepaid, return receipt requested, upon receipt thereof, or (iii) in the case of notice by telecopy, upon transmission thereof, provided such transmission is promptly confirmed by either of the methods set forth in clauses (i) or (ii) above in each case given or addressed as provided for herein. The Address for Notices of the Issuer is as follows:

National Rural Utilities Cooperative Finance Corporation
2201 Cooperative Way
Herndon, Virginia 20171-3025
Attention: Senior Vice President – Member Services
Fax #703-709-6776

6.4 The Borrower represents that it has not been contacted by the Internal Revenue Service or any issuer of bonds, the proceeds of which were loaned to the Borrower regarding any examination of any tax exempt bonds issued for the benefit of the Borrower. To the best of the knowledge of the Borrower, no such obligations of the Borrower are currently under examination by the Internal Revenue Service.

6.5 Any restriction or covenant contained herein need not be observed or may be changed if such nonobservance or change will not result in the loss of any tax credit under Section 54 of the Code for the purpose of federal income taxation to which the Securities is otherwise entitled and the Borrower receives an opinion of Bond Counsel to such effect and the Issuer agrees to such nonobservance or change.

6.6 If any clause, provision or section of this Project Agreement is ruled invalid by any court of competent jurisdiction, the invalidity of such clause, provision or section shall not affect any of the remaining clauses, sections or provisions hereof.

6.7 The terms, provisions, covenants and conditions of this Project Agreement shall bind and inure to the benefit of the respective successors and assigns of the Issuer and the Borrower.

6.8 This Project Agreement shall terminate on the date three (3) years after the CREB Maturity Date.

The undersigned acknowledge that this Project Agreement is given as a basis for an opinion of the law firm of Chapman and Cutler LLP, Chicago, Illinois, and such firm is hereby authorized to rely on this Project Agreement.

DATED as of the day and year first above written.

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

By Gene Manning

Title President

CFC DOC
AZ014-A-9034-CB001 (JABLONJ)
117026-1

## EXHIBIT A

## DEFINITIONS

*"Affiliated Person"* means any Person that (a) at any time during the six months prior to the Closing Date, (i) has more than five percent of the voting power of the governing body of the Issuer or the Borrower in the aggregate vested in its directors, officers, owners, and employees or (ii) has more than five percent of the voting power of its governing body in the aggregate vested in directors, officers, board members, owners, members or employees of the Issuer or the Borrower or (b) during the one-year period beginning six months prior to the Closing Date, (i) the composition of the governing body of which is modified or established to reflect (directly or indirectly) representation of the interests of the Issuer or the Borrower (or for which an agreement, understanding, or arrangement relating to such a modification or establishment during that one-year period) or (ii) the composition of the governing body of the Issuer or the Borrower is modified or established to reflect (directly or indirectly) representation of the interests of such Person (or for which an agreement, understanding, or arrangement relating to such a modification or establishment during that one-year period).

*"Bond Counsel"* means Chapman and Cutler LLP or any other nationally recognized firm of attorneys experienced in the field of municipal obligations whose opinions are generally accepted by purchasers of municipal obligations.

*"Closing Date"* means the date the Issuer issues the Securities.

*"Code"* means the Internal Revenue Code of 1986, as amended.

*"Constructed Personal Property"* means tangible personal property (or, if acquired pursuant to a single acquisition contract, properties) or Specially Developed Computer Software if (i) a substantial portion of the property or properties is completed more than six (6) months after the earlier of the date construction or rehabilitation commenced and the date the Borrower entered into an acquisition contract; (ii) based on the reasonable expectations of the Borrower, if any, or representations of the person constructing the property, with the exercise of due diligence, completion of construction or rehabilitation (and delivery to the issuer) could not have occurred within that six-month period; and (iii) if the Borrower itself builds or rehabilitates the property, not more than 75 percent of the capitalizable cost is attributable to property acquired by the Borrower (e.g., components, raw materials, and other supplies).

*"Construction Purposes"* means capital expenditures that are allocable to the cost of Real Property or Constructed Personal Property. Except as provided in the next succeeding sentence, construction expenditures do not include expenditures for acquisitions of interests in land or other existing real property. Expenditures are not for the acquisition of an interest in existing real property other than land if the contract between the seller and the Borrower requires the seller to build or install the property (e.g., a *turnkey contract*), but only to the extent that the property has not been built or installed at the time the parties enter into the contract.

*"Control"* means the possession, directly or indirectly through others, of either of the following discretionary and non-ministerial rights or powers over another entity (i) to approve and to remove without cause a controlling portion of the governing body of a Controlled Entity, or (ii) to require the use of funds or assets of a Controlled Entity for any purpose.

*"Controlled Entity"* means any entity or one of a group of entities that is subject to Control by a Controlling Entity or group of Controlling Entities.

*"Controlled Group"* means a group of entities directly or indirectly subject to Control by the same entity or group of entities, including the entity that has the Control of the other entities.

*"Controlling Entity"* means any entity or one of a group of entities directly or indirectly having Control of any entities or group of entities.

*"CREB Maturity Date"* shall have the meaning ascribed to it in the Loan Agreement.

*"Governmental Body"* means any State, territory, possession of the United States, the District of Columbia, Indian tribal government, and any political subdivision thereof.

*"Mortgage"* means the mortgage and security agreement applicable to substantially all of the property of the Borrower.

*"Qualified Borrower"* means (i) a mutual or cooperative electric company described in Sections 501(c)(12) or 1381(a)(2)(C) of the Code, or (ii) a Governmental Body (as defined above).

*"Real Property"* means land and improvements to land, such as buildings or other inherently permanent structures, including interests in real property. For example, real property includes wiring in a building, plumbing systems, central heating or air-conditioning systems, pipes or ducts, elevators, escalators installed in a building, paved parking areas, roads, wharves and docks, bridges, and sewage lines.

*"Related Person"* means any member of the same Controlled Group as the Issuer or the Borrower and any person related to the Issuer or a Borrower within the meaning of Section 144(a)(3) of the Code.

*"Solar Energy Facility"* means a facility using solar energy to produce electricity.

*"Specially Developed Computer Software"* means any programs or routines used to cause a computer to perform a desired task or set of tasks, and the documentation required to describe and maintain those programs, provided that the software is specially developed and is functionally related and subordinate to real property or other constructed personal property.

*"Tangible Personal Property"* means any tangible property other than real property, including interests in tangible personal property. For example, tangible personal property

includes machinery that is not a structural component of a building, subway cars, fire trucks, automobiles, office equipment, testing equipment, and furnishings.

## EXHIBIT B

### UPDATED DESCRIPTION OF THE PROJECT

| | |
|---|---|
| CFC Application | No. 4 Sulphur Springs Valley Electric Cooperative, Inc. |
| Bond Proceeds Needed for Project: | $560,000 |
| Bond Allocation Requested and Received: | $560,000 |

| | | |
|---|---|---|
| Name of Project | Bowie Unified School District Photovoltaic Solar Automobile Parking Shade Structure | |
| Project Street Address | Bowie High School<br>5th Street<br>Bowie, AZ 85605 | Bowie Elementary School<br>5th Street<br>Bowie, AZ 85605 |
| Phone | (520) 847-2545 | |
| Fax | (520) 847-2546 | |
| County | Cochise County | |
| Individual Name to Contact | Jack Blair | |
| Company Name | Sulphur Springs Valley Electric Cooperative, Inc. | |
| Street Address | 311 E. Wilcox Drive | |
| City, State, Zip | Sierra Vista, AZ 85635 | |
| Telephone Number | (520) 515-3470 | |
| Fax | (520) 45S-3467 | |

Updated Detailed Description of the Project:

A cantilevered shade structure at a school on the top of which will be constructed a 23kW solar photovoltaic system to supply power to the school. Excess power will flow on to the SSVEC system.

## EXHIBIT C

### ORIGINAL DESCRIPTION OF THE PROJECT

[COPY OF EXHIBIT A TO ISSUER APPLICATION TO THE IRS]

Clean Renewable Energy Bonds Application

Exhibit A

Sulphur Springs Valley Electric Cooperative. Inc.

Bowie Unified School District Photovoltaic Solar Shade Structure

This project will place photovoltaic modules costing $280,000 each, that will produce 23 kW of electricity in the shade structures in the two Bowie Unified School District schools. The PV structure will provide electricity to the respective school at no charge. There will also be a cable connection to a computer in the library of each school to show students how the system is working.

This project is the identical project that Navopache Electric Cooperative in Arizona built in 2001 that continues to function with no issues/problems.

SSVEC will operate and maintain the structure. Any excess power produced will flow back to the SSVEC grid.

The PV structures at the schools will significantly reduce their electric bills, which have been disproportionately large due to the per meter monthly surcharges mandated by the Environmental Portfolio Program (EPP), and approved by the Arizona Corporation Commission. All customers pay the EPP fees to SSVEC, which uses them to fund renewable energy projects. Since each school has many meters, they pay the EPP a disproportionately large amount of dollars. The benefit of reduced electric bills will offset their payments into the fund.

The RFP issued by Sulphur Springs Valley Electric Cooperative follows.

Sulphur Springs Valley Electric Cooperative, Inc.

A Touchstone Energy® Cooperative

For the Electric Cooperatives in the State of Arizona

Request
A
Proposal

For

A Photovoltaic System

Used for
Shade structures
For
Public Buildings

Issued: August 1, 2005

Narrative: The Electric Cooperatives in Arizona (Duncan Valley EC, Graham County EC, Mohave EC, Navopache EC, Sulphur Springs Valley EC, Trico EC and Arizona Electric Power Cooperative, Inc.) request a proposal for a modular designed system to supply a l0 kW to 30 kW Photovoltaic (PV) system. System size is relative to the space available for the PV panels on each site. System may consist of multiple free standing modules interconnected to meet the 10 to30 kW size requirement. Modules to be used as free standing carports or free standing covers for walkways to provide shade. These systems are to be used at public buildings to increase the awareness of PV systems and operations and systems will be sized based on the available space. Base pricing for 10,15,20,25, and 30 kW systems are requested (systems may be rounded to the nearest 5kW increment). The interconnection cost from the PV system to nearest distribution panel will be on a case by case basis due to the variation in sites. This RFP is not all inclusive and contractor may include other specifications or requirements they feel are necessary for a successful venture.

This RFP is released on August 1, 2005 and response must be in a written proposal by October 1, 2005..For questions or clarification of details please contact Albert Gomez (520-515-3473) or David Bane (520-515-3472).

Scope of Work: The contractor will be responsible for the following;

- Structural design of the supporting PV structures (carport and walkway)
- One line circuit diagrams for approval by local Cooperative's engineering department
- Complete wiring diagrams (to be included in owner manual)
- Isolation transformers as needed to meet the NEC.
- Purchase and installation of all components
- Systems test period of 4-6 weeks prior to transfer of title of equipment to site owner
- Any required Permits (Cooperative will reimburse actual cost of permits)
- Meter socket on the A/C output of the inverter(s)
- Interconnection with Customers electric service
- Fencing around inverters and other equipment as required for security and public safety
- Project to meet or exceed Sun Watts standards
- Basic training for site owner / site operator
- Operators Manual

The Cooperative will provide the following;

- Meter to measure AC output from PV system to owners electric panel
- Written permission from site owner to build the PV Module
- Act as the point of contact with the installation Contractor on behalf of the site owne

Structural Design Requirements:

The basic structure is to support the PV cells but must be able to work as a carport with all the required clearances. Support should be in a cantilever style to allow easy parking, spacing on vertical supports should be in multiples of 10 feet to be able to match typical parking lot spacing, height should allow the parking of full size passenger vans, and structure does not have to be water proof (providing shade to vehicles is secondary to the production of energy). Sample profile (to show intent not required design) is on page 4. Ideal structure would have the ability to support PV panels that would be effective if the long side of the structure is in a North-South as well as East-West orientation.

PV Design Requirements:

- PV panels shall have warranty for a minimum of 15 years to cover rated output (out put degradation not to exceed 20% over life of panel)
- All system components will be UL certified
- System will include isolation transformers per section 250-30 of the NEC.
- Polyphase inverter with voltage to match customer's system.
- Inverter to match capacity of project.
- 15 year manufacturers warranty on Inverter (contractor may use an extended warranty insurance policy to meet 15 year requirement)
- Contractor will warranty repair labor at 100% for first 5 years, 66% of labor for second 5 years, and 33% of labor for remaining 5 years, (limited to warranty repairs)
- Interconnection costs from site of PV system to nearest practical distribution panel will be on a case by case basis, (site selection process will keep this as short as possible)
- SunWatts Requirement:
- One-line drawings subject to approval by local Cooperative's engineering department.
- Units to operate in parallel with grid
- Includes protection for out of frequency problems
- Low harmonics
- Inverter must disconnect in the event grid power is lost
- Lockable safety switch located between the inverter and meter socket.

Training Requirement:

The Contractor will provide sufficient time with the site owner to explain how to disconnect the system, locate inverter, identify all junction boxes between the modules, and identify any system warning lights or displays. Contractor will also provide system manual with basic operating instructions and all the associated warranty information and manufacturer contacts listed.

## EXHIBIT D

## MONTHLY DRAWDOWN SCHEDULE OF AMOUNTS TO BE ADVANCED TO THE BORROWER PURSUANT TO THE LOAN AGREEMENT

| DATE ON WHICH PROCEEDS ARE EXPECTED TO BE EXPENDED | AMOUNTS OF PROCEEDS TO BE EXPENDED |
|---|---|
| September 15, 2008 | $280,000 |
| September 22, 2008 | $280,000 |

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

To

NATIONAL RURAL UTILITIES
COOPERATIVE FINANCE CORPORATION
Issuer

# LOAN AGREEMENT

Dated as of 12/21, 2007

Clean Renewable Energy Bonds
(Cooperative Renewable Energy Projects) Series 2008A
of National Rural Utilities Cooperative Finance Corporation

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## LOAN AGREEMENT

**LOAN AGREEMENT** (this "Agreement") dated as of _____, between SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. ("Borrower"), a corporation organized and existing under the laws of the State of Arizona and NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION ("CFC"), a cooperative association organized and existing under the laws of the District of Columbia.

## RECITALS

**WHEREAS,** the Borrower has applied to CFC for a loan for the purposes set forth in Schedule 1 hereto, and CFC is willing to make such a loan to the Borrower on the terms and conditions stated herein; and

**WHEREAS,** the Borrower has agreed to execute a promissory note to evidence an indebtedness in the aggregate principal amount of the CFC Commitment (as hereinafter defined).

**NOW, THEREFORE,** for and in consideration of the premises and the mutual covenants hereinafter contained, the parties hereto agree and bind themselves as follows:

## ARTICLE I

## DEFINITIONS

**Section 1.01** For purposes of this Agreement, the following capitalized terms shall have the following meanings (such definitions to be equally applicable to the singular and the plural form thereof). Capitalized terms that are not defined herein shall have the meanings as set forth in the Mortgage.

**"Accounting Requirements"** shall mean any system of accounts prescribed by a federal regulatory authority having jurisdiction over the Borrower or, in the absence thereof, the requirements of GAAP applicable to businesses similar to that of the Borrower.

**"Advance"** shall mean each advance of funds by CFC to the Borrower pursuant to the terms and conditions of this Agreement, including the Initial Advance and the Primary Advance.

**"Authorized Officer of the Borrower"** means the Chairman, General Manager or Chief Financial Officer of the Borrower or any other person authorized by the Board of the Borrower so to act or any other person performing a function similar to the function performed by any such officer or authorized person.

**"Average DSC Ratio"** shall mean the average of the Borrower's two highest annual DSC Ratios during the most recent three calendar years.

**"Bond Counsel"** means an attorney at law or a firm of attorneys (designated by CFC and acceptable to the Trustee) of nationally recognized standing in matters pertaining to the tax-exempt nature of interest or tax credits on bonds issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of any state of the United States of America.

**"Business Day"** shall mean any day that both CFC and the depository institution CFC utilizes for funds transfers hereunder are open for business.

**"CFC Commitment"** shall have the meaning as defined in Schedule 1.

**"CFC CREB Rate"** shall mean the interest rate charged by CFC for loans made by CFC from proceeds of the CREBs which rate shall not exceed one hundred and fifty basis points (150/100 of 1%) per annum.

**"Closing Date"** shall mean the date CFC issues the CREBs.

**"Code"** shall mean the Internal Revenue Code of 1986, as supplemented and amended.

**"Completion Certificate"** shall mean the certificate of the Borrower required by Section 5.01.P of this Agreement, substantially in the form of Exhibit C hereto.

**"CREBs"** shall mean the series of Securities issued by CFC to provide financing for the Project.

**"CREB Maturity Date"** shall mean the maturity date of the CREBs, which shall be the December 15th prior to the Maximum CREB Term Anniversary Date.

**"Debt Service Coverage ("DSC") Ratio"** shall mean the ratio determined as follows: for any calendar year add (i) Operating Margins, (ii) Non-Operating Margins--Interest, (iii) Interest Expense, (iv) Depreciation and Amortization Expense, and (v) cash received in respect of generation and transmission and other capital credits, and divide the sum so obtained by the sum of all payments of Principal and Interest Expense required to be made during such calendar year; provided, however, that in the event that any amount of Long-Term Debt has been refinanced during such year, the payments of Principal and Interest Expense required to be made during such year on account of such refinanced amount of Long-Term Debt shall be based (in lieu of actual payments required to be made on such refinanced amount of Long-Term 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 payment of Principal and Interest Expense required to be made during the following year on account of such refinancing debt.

**"Default Rate"** shall mean a rate per annum equal to one hundred and fifty basis points (150/100 of 1%).

**"Depreciation and Amortization Expense"** shall mean an amount constituting the depreciation and amortization of the Borrower computed pursuant to Accounting Requirements.

**"Determination of Tax Credit Ineligibility"** shall mean a determination that a particular series of Securities does not qualify for a tax credit for the owner thereof under Section 54 of the Code, which determination shall be deemed to have been made upon the occurrence of the first to occur of the following:

(a) the date on which CFC determines that there is a significant likelihood that a particular series of Securities may not qualify for a tax credit, if such determination is supported by a written opinion of Bond Counsel to that effect; or

(b) the date on which CFC shall receive notice in writing that the Trustee has been advised by the owner of any Security that a particular series of Securities does not qualify for a tax credit for the owner thereof, based upon a final determination made either by: (A) the Internal Revenue Service in a published or private ruling or technical advice memorandum or (B) any court of competent jurisdiction in the United States of America, as a result of a failure by CFC or any borrower to observe any agreement or representation in the Tax Compliance Agreement or a Loan Agreement or Project Agreement relating to the proceeds of the Securities. Any such determination will not be considered final for this purpose unless the Owner of the Securities involved in the proceeding or action resulting in the determination (i) gives CFC and the Trustee prompt written notice of the commencement thereof and (ii) if CFC agrees to pay all expenses in connection therewith and to indemnify such Owner of the Securities against all liabilities in connection therewith, offers CFC an opportunity to contest the determination, either directly or in the name of the Owner of the Securities, and until conclusion of any review, if sought.

**"Distributions"** shall mean, with respect to the Borrower, any dividend, patronage refund, patronage capital retirement or cash distribution to its members, or consumers (including but not limited to any general cancellation or abatement of charges for electric energy or services furnished by the Borrower). The term "Distribution" shall *not* include (a) a distribution by the Borrower to the estate of a deceased patron, (b) repayment by the Borrower of a membership fee upon termination of a membership, or (c) any rebate to a patron resulting from a cost abatement received by the Borrower, such as a reduction of wholesale power cost previously incurred.

**"Draw Period"** shall have the meaning as described in Schedule 1 hereto.

**"Environmental Laws"** shall mean all laws, rules and regulations promulgated by any Governmental Authority, with which Borrower is required to comply, regarding the use, treatment, discharge, storage, management, handling, manufacture, generation, processing, recycling, distribution, transport, release of or exposure to any Hazardous Material.

**"Equity"** shall mean the aggregate of the Borrower's equities and margins computed pursuant to Accounting Requirements.

**"Event of Default"** shall have the meaning as described in Article VI hereof.

**"Funds Requisition Statement"** shall mean the certificate of the Borrower, in the form set forth as Exhibit A to this Agreement, by which the Borrower will obtain an advance of funds from CFC under the Loan.

**"GAAP"** shall mean generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board.

**"Governmental Authority"** shall mean the government of the United States of America, any other nation or government, any state or other political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

**"Hazardous Material"** shall mean any (a) petroleum or petroleum products, radioactive materials, asbestos-containing materials, polychlorinated biphenyls, lead and radon gas, and (b) any

other substance designated as hazardous or toxic or as a pollutant or contaminant under any Environmental Law.

**"Indenture"** shall mean the Indenture between CFC and U.S. Bank Trust Company National Association, relating to the first issue of Securities, pursuant to which the Securities, including the CREBs are issued, as supplemented and amended.

**"Initial Advance"** shall mean the Advance made by CFC on the Closing Date pursuant to Section 3.02.A hereof to fund a portion of CFC's costs in issuing the CREBs attributable to the CFC Commitment, including, but not limited to, original issue discount, underwriting discount and other costs of issuance, including, without limitation, rating agency costs and legal, underwriting and Trustee expenses.

**"Interest Expense"** shall mean an amount constituting the interest expense with respect to Long-Term Debt of the Borrower computed pursuant to Accounting Requirements. 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 Restricted Rentals paid by the Borrower over 2% of the Borrower's Equity.

**"Lien"** shall mean any statutory or common law consensual or non-consensual mortgage, pledge, security interest, encumbrance, lien, right of set off, claim or charge of any kind, including, without limitation, any conditional sale or other title retention transaction, any lease transaction in the nature thereof and any secured transaction under the Uniform Commercial Code.

**"Loan"** shall mean the loan made by CFC to the Borrower, pursuant to this Agreement and the Note, in an aggregate principal amount not to exceed the CFC Commitment.

**"Loan Capital Term Certificate" or "LCTC"** shall mean a certificate, or book entry form of account, evidencing the Borrower's purchase of equity in CFC.

**"Loan Documents"** shall mean this Agreement, the Note, the Mortgage, the Project Agreement and all other documents or instruments executed, delivered or executed and delivered by the Borrower and evidencing, securing, governing or otherwise pertaining to, the Loan.

**"Long-Term Debt"** shall mean an amount constituting the long-term debt of the Borrower computed pursuant to Accounting Requirements.

**"Maturity Date"** shall mean the Payment Date immediately prior to the CREB Maturity Date permitted for the CREBs under Section 54(e)(2) of the Code as in effect on the Closing Date.

**"Maximum CREB Term Anniversary Date"** shall mean the anniversary of the Closing Date that occurs at the maximum term permitted for the CREBs under Section 54(e)(2) of the Code as in effect on the Closing Date.

**"Mortgage"** shall have the meaning as described in Schedule 1 hereto.

**"Mortgaged Property"** shall have the meaning ascribed to it in the Mortgage.

**"Non-Operating Margins--Interest"** shall mean the amount representing the interest component of non-operating margins of the Borrower computed pursuant to Accounting Requirements.

**"Note"** shall mean the secured promissory note, payable to the order of CFC, executed by the Borrower, dated as of even date herewith, pursuant to this Agreement as identified on Schedule 1 hereto and shall include any substitute note or modification thereto.

**"Obligations"** shall mean any and all liabilities, obligations or indebtedness owing by the Borrower to CFC, of any kind or description, irrespective of whether for the payment of money, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising.

**"Operating Margins"** shall mean the amount of patronage capital and operating margins of the Borrower computed pursuant to Accounting Requirements.

**"Payment Date"** shall mean the first (1st) day of each of March, June and September and December.

**"Payment Notice"** shall mean a notice furnished by CFC to the Borrower that indicates the amount of each payment of interest or interest and principal and the total amount of each payment due.

**"Permitted Encumbrances"** shall have the meaning ascribed to it in the Mortgage.

**"Person"** shall mean natural persons, cooperatives, corporations, limited liability companies, limited partnerships, general partnerships, limited liability partnerships, joint ventures, associations, companies, trusts or other organizations, irrespective of whether they are legal entities, and Governmental Authorities.

**"Primary Advance"** shall mean the Advance made by CFC to the Borrower pursuant to Section 3.02.B hereof two Business Days after the Closing Date to reimburse Borrower for costs of the Project.

**"Principal"** shall mean the amount of principal billed on account of Long-Term Debt of the Borrower computed pursuant to Accounting Requirements.

**"Project"** shall mean the project being financed pursuant to the Loan, as further described in Schedule 1.

**"Project Account"** means an account created pursuant to the Indenture within the Project Fund related to the CREBs.

**"Project Agreement"** shall mean the Project Agreement, dated as of even date herewith, executed by the Borrower with respect to the Project and the CREBs.

**"Project Fund"** means the Project Fund created and identified as such in the Indenture.

**"Restricted Rentals"** shall mean all rentals required to be paid under finance leases and charged to income, exclusive of any amounts paid under any such lease (whether or not designated therein as rental or additional rental) for maintenance or repairs, insurance, taxes, assessments, water rates or similar charges. For the purpose of this definition the term "finance lease" shall mean any lease having a rental term (including the term for which such lease may be renewed or extended at the option of the lessee) in excess of three (3) years and covering property having an initial cost in excess of $250,000 other than automobiles, trucks, trailers, other vehicles (including without

limitation aircraft and ships), office, garage and warehouse space and office equipment (including without limitation computers).

**"Securities"** shall mean one or more series of clean renewable energy bonds issued by CFC under the Indenture.

**"Subsidiary"** as to any Person, shall mean a corporation, partnership, limited partnership, limited liability company or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise qualified, all references to a "Subsidiary" or to "Subsidiaries" in this Agreement shall refer to a Subsidiary or Subsidiaries of the Borrower.

**"Tax Compliance Agreement"** means a tax compliance certificate and agreement of CFC with respect to a series of Securities, as accepted by the Trustee, as amended.

**"Termination Certificate"** shall mean the certificate of the Borrower required by Section 5.01.Q of this Agreement, substantially in the form of Exhibit D hereto.

**"Total Assets"** shall mean an amount constituting the total assets of the Borrower computed pursuant to Accounting Requirements.

**"Total Utility Plant"** shall mean the amount constituting the total utility plant of the Borrower computed pursuant to Accounting Requirements.

**"Trustee"** shall mean U.S. Bank Trust Company National Association and its successors and assigns.

## ARTICLE II

## REPRESENTATIONS AND WARRANTIES

**Section 2.01** The Borrower represents and warrants to CFC that as of the date of this Agreement:

**A. Good Standing.** The Borrower is duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization, is duly qualified to do business and is in good standing in those states in which it is required to be qualified to conduct its business. The Borrower is a member in good standing of CFC.

**B. Subsidiaries and Ownership.** Schedule 1 hereto sets forth a complete and accurate list of the Subsidiaries of the Borrower showing the percentage of the Borrower's ownership of the outstanding stock, membership interests or partnership interests, as applicable, of each Subsidiary.

**C. Authority; Validity.** The Borrower has the power and authority to enter into this Agreement, the Note, the Project Agreement and the Mortgage; to make the borrowing hereunder; to execute and deliver all documents and instruments required hereunder and to incur and perform the obligations provided for herein, in the Note, in the Project Agreement and in the Mortgage, all of which have been duly authorized by all necessary and proper action; and no consent or approval of

any Person, including, as applicable and without limitation, members of the Borrower, which has not been obtained is required as a condition to the validity or enforceability hereof or thereof.

Each of this Agreement, the Note, the Project Agreement and the Mortgage is, and when fully executed and delivered will be, legal, valid and binding upon the Borrower and enforceable against the Borrower in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity.

**D. No Conflicting Agreements.** The execution and delivery of the Loan Documents and performance by the Borrower of the obligations thereunder, and the transactions contemplated hereby or thereby, will not: (i) violate any provision of law, any order, rule or regulation of any court or other agency of government, any award of any arbitrator, the articles of incorporation or by-laws of the Borrower, or any indenture, contract, agreement, mortgage, deed of trust or other instrument to which the Borrower is a party or by which it or any of its property is bound; or (ii) be in conflict with, result in a breach of or constitute (with due notice and/or lapse of time) a default under, any such award, indenture, contract, agreement, mortgage, deed of trust or other instrument, or result in the creation or imposition of any Lien (other than contemplated hereby) upon any of the property or assets of the Borrower.

The Borrower is not in default in any material respect under any agreement or instrument to which it is a party or by which it is bound and no event or condition exists which constitutes a default, or with the giving of notice or lapse of time, or both, would constitute a default under any such agreement or instrument.

**E. Taxes.** The Borrower, and each of its Subsidiaries, has filed or caused to be filed all federal, state and local tax returns which are required to be filed and has paid or caused to be paid all federal, state and local taxes, assessments, and governmental charges and levies thereon, including interest and penalties to the extent that such taxes, assessments, and governmental charges and levies have become due, except for such taxes, assessments, and governmental charges and levies which the Borrower or any Subsidiary is contesting in good faith by appropriate proceedings for which adequate reserves have been set aside.

**F. Licenses and Permits.** The Borrower has duly obtained and now holds all licenses, permits, certifications, approvals and the like necessary to own and operate its property and business that are required by Governmental Authorities and each remains valid and in full force and effect.

**G. Litigation.** There are no outstanding judgments, suits, claims, actions or proceedings pending or, to the knowledge of the Borrower, threatened against or affecting the Borrower, its Subsidiaries or any of their respective properties which, if adversely determined, either individually or collectively, would have a material adverse effect upon the business, operations, prospects, assets, liabilities or financial condition of the Borrower or its Subsidiaries. The Borrower and its Subsidiaries are not, to the Borrower's knowledge, in default or violation with respect to any judgment, order, writ, injunction, decree, rule or regulation of any Governmental Authority which would have a material adverse effect upon the business, operations, prospects, assets, liabilities or financial condition of the Borrower or its Subsidiaries.

**H. Financial Statements.** The balance sheet of the Borrower as at the date identified in Schedule 1 hereto, the statement of operations of the Borrower for the period ending on said date, and the interim financial statements of the Borrower, all heretofore furnished to CFC, are complete and correct. Said balance sheet fairly presents the financial condition of the Borrower as at said date

and said statement of operations fairly reflects its operations for the period ending on said date. The Borrower has no contingent obligations or extraordinary forward or long-term commitments except as specifically stated in said balance sheet or herein. There has been no material adverse change in the financial condition or operations of the Borrower from that set forth in said financial statements except changes disclosed in writing to CFC prior to the date hereof.

I. **Borrower's Legal Status.** Schedule 1 hereto accurately sets forth: (i) the Borrower's exact legal name, (ii) the Borrower's organizational type and jurisdiction of organization, (iii) the Borrower's organizational identification number or accurate statement that the Borrower has none, and (iv) the Borrower's place of business or, if more than one, its chief executive office as well as the Borrower's mailing address if different.

J. **Required Approvals.** Other than the CREBs allocation received from the Internal Revenue Service, no license, consent or approval of any Governmental Authority is required to enable the Borrower to enter into this Agreement, the Project Agreement, the Note and the Mortgage, or to perform any of its Obligations provided for in such documents, including without limitation (and if applicable), that of any state public utilities commission, any state public service commission, and the Federal Energy Regulatory Commission, except as disclosed in Schedule 1 hereto, all of which the Borrower has obtained prior to the date hereof.

K. **Compliance With Laws.** The Borrower and each Subsidiary is in compliance, in all material respects, with all applicable requirements of law and all applicable rules and regulations of each Governmental Authority.

L. **Disclosure.** To the Borrower's knowledge, information and belief, neither this Agreement nor any document, certificate or financial statement furnished to CFC by or on behalf of the Borrower in connection herewith (all such documents, certificates and financial statements, taken as a whole) contains any untrue statement of a material fact or omits to state any material fact necessary in order to make the statements contained herein and therein not misleading.

M. **No Other Liens.** As to property which is presently included in the description of Mortgaged Property, the Borrower has not, without the prior written approval of CFC, executed or authenticated any security agreement or mortgage, or filed or authorized any financing statement to be filed with respect to assets owned by it, other than security agreements, mortgages and financing statements in favor of CFC, except as disclosed in writing to CFC prior to the date hereof or relating to Permitted Encumbrances.

N. **Environmental Matters.** Except as to matters which individually or in the aggregate would not have a material adverse effect upon the business or financial condition of the Borrower or its Subsidiaries, (i) Borrower is in compliance with all Environmental Laws (including, but not limited to, having any required permits and licenses), (ii) there have been no releases (other than releases remediated in compliance with Environmental Laws) from any underground or aboveground storage tanks (or piping associated therewith) that are or were present at the Mortgaged Property, (iii) Borrower has not received written notice or claim of any violation of any Environmental Law, (iv) there is no pending investigation of Borrower in regard to any Environmental Law, and (v) to the best of Borrower's knowledge, there has not been any release or contamination (other than releases or contamination remediated in compliance with Environmental Laws) resulting from the presence of Hazardous Materials on property owned, leased or operated by the Borrower.

O. **Project Agreement.** As set forth in the Project Agreement, the Project constitutes "a qualified project" as defined in Section 54(d)(2)(A) of the Code. As set forth in the Project Agreement,

the Borrower constitutes currently, and will remain through the period that the CREBs remain outstanding, "a Qualified Borrower", meaning a (i) mutual or cooperative electric company described in Sections 501(c)(12) or 1381(a)(2)(C) of the Code, or (ii) a Governmental Body, which is defined as any state, territory possession of the U.S., the District of Columbia, Indian tribal government, and any political subdivision thereof. The statements, information and descriptions contained in the Project Agreement are true, correct and complete, and do not contain any untrue statement or misleading statement of a material fact, and do not omit to state a material fact required to be stated therein or necessary to make the statements, information and descriptions contained therein, in the light of the circumstances under which they were made, not misleading, and the estimates and the assumptions contained in the Project Agreement are reasonable and based on the best information available to the Borrower.

## ARTICLE III

## LOAN

**Section 3.01 Definitions.** For purposes of this Article 3, the following capitalized terms shall have the following meanings:

**"Borrower's Annual Bond Repayment Amount"** shall mean the amount determined by dividing the CFC Commitment by the number of years from the Closing Date to the Maximum CREB Term Anniversary Date, which amount shall be recalculated on the date CFC rescinds any excess moneys pursuant to Section 3.05 or 3.06 hereof.

**"Quarterly Bond Deposit Amount"** shall mean for each Payment Date, the amount determined by subtracting from the Quarterly Bond Repayment Amount the principal amount payable by the Borrower pursuant to Section 3.03.A(ii)(b)(1) on such Payment Date.

**"Quarterly Bond Repayment Amount"** shall mean one-fourth (¼) of the Borrower's Annual Bond Repayment Amount.

**Section 3.02 Advances.** The obligation of the Borrower to repay the Advances shall be evidenced by the Note. The aggregate amount of all Advances made hereunder shall not exceed the CFC Commitment. At the end of the Draw Period, CFC shall have no further obligation to make Advances.

**A. Initial Advance.** Borrower hereby agrees that on the Closing Date, CFC shall automatically, and without action by Borrower, make the Initial Advance. On the Closing Date, CFC shall notify Borrower of the final amount of the Initial Advance and the amount of the CFC Commitment remaining for Borrower to subsequently Advance.

**B. Subsequent Advances.**

(i) The Borrower may submit a request for the Primary Advance to CFC in writing (which may be submitted by facsimile) no later than 12:00 noon local time at CFC's offices in Herndon, Virginia seven Business Days prior to the Closing Date. The Primary Advance may be requested in any amount up to the CFC Commitment. CFC shall make the Primary Advance two Business Days after the Closing Date in the lesser of (i) the aggregate amount of such requested Primary Advance, and (ii) the amount of the CFC Commitment less the amount of the Initial Advance.

(ii) Except as set forth in 3.02.A and 3.02.B(i) hereof, the Borrower shall submit its request for an Advance to CFC in writing (which may be submitted by facsimile) no later than 12:00 noon local time at CFC's offices in Herndon, Virginia at least two (2) Business Days prior to the last Business Day of any calendar month. Borrower may make multiple requests for Advances during any calendar month in any amount so long as the aggregate amount of all Advances requested in such month is in an amount not less than $100,000.00; *provided, however* that at such time as there remains less than $100,000.00 available for Advance hereunder, Borrower may request the entirety of such remaining amount. CFC shall make a single Advance to Borrower on the first Business Day of the calendar month following Borrower's request(s) for an Advance. Such Advance shall be in the aggregate amount of all Advances requested by Borrower in the prior month, *provided however* that at such time as there remains less than $100,000.00 available for Advance hereunder and Borrower requests the entirety of such remaining amount, CFC shall Advance the entirety of such remaining amount.

**Section 3.03 Interest Rate and Payment.** The Note shall be payable and bear interest as follows:

**A. Payments; Maturity; Amortization.**

(i) The Note shall be due and payable on the Maturity Date.

(ii) On each Payment Date, the Borrower shall promptly pay the following:

(a) accrued interest on the principal amount of the Loan outstanding less the amount of the Initial Advance; and

(b) the Quarterly Bond Repayment Amount, consisting of:

(1) the principal amount due on any outstanding Advances, determined on the basis of a quarterly amortization schedule from the date of each Advance; and

(2) the Quarterly Bond Deposit Amount.

(iii) If not sooner paid, any amount due on account of the unpaid principal, interest accrued thereon and fees, if any, shall be due and payable on the Maturity Date.

(iv) Each Advance shall amortize on a level principal payment basis from the date thereof through the Maturity Date.

(v) CFC will furnish to the Borrower a Payment Notice at least ten (10) days before each Payment Date, provided, however, that CFC's failure to send a Payment Notice shall not constitute a waiver by CFC or be deemed to relieve the Borrower of its obligation to make payments as and when due as provided for herein.

(vi) No provision of this Agreement or of any Note shall require the payment, or permit the collection, of interest in excess of the highest rate permitted by applicable law.

Borrower agrees that the records of, and all computations by, CFC (in whatever media they are recorded or maintained) as to the amount of principal, interest, fees and Quarterly Bond Deposit Amount due on the Loan shall be conclusive in the absence of manifest error.

**B. Application of Payments.** Each payment shall be applied to the Loan, first to any fees, costs, expenses or charges other than interest or principal, second to interest accrued, third to the Quarterly Bond Deposit Amount and the balance to principal.

**C. Application of Bond Repayment Deposit.** At such time as the aggregate amount billed by CFC in any calendar year on account of amortized principal under this Agreement exceeds the Borrower's Annual Bond Repayment Amount for such year, CFC shall apply a portion of the Borrower's prior payments of the Quarterly Bond Deposit Amount in the amount of such overage to principal then due. Until such time, Borrower's payments of the Quarterly Bond Deposit Amount shall not reduce the amount of principal outstanding and subject to amortization. Any amount paid by the Borrower under this Agreement on account of the Quarterly Bond Deposit Amount in excess of the principal amount of the fully advanced Loan shall be refunded to the Borrower on the Maturity Date.

**D. Interest Rate Computation.** Each Advance except the Initial Advance shall bear interest at the CFC CREB Rate which shall apply until the Maturity Date. The Initial Advance shall not bear interest. Interest on Advances shall be computed on the basis of a 30-day month and 360-day year.

**Section 3.04. Extraordinary Obligation to Prepay**. Upon a Determination of Tax Credit Ineligibility that subjects the CREBs to an extraordinary mandatory redemption due to a failure of the Borrower to observe any agreement or representation in this Loan Agreement (as more particularly described in paragraph (b) of the defined term "Determination of Tax Credit Ineligibility"), the Borrower shall prepay the Loan, or such part thereof as determined by CFC, at such times and in such amounts as determined by CFC within sixty (60) days of such determination together with a prepayment premium prescribed by CFC pursuant to its policies of general application in effect from time to time.

**Section 3.05. Rescission of Excess Moneys; Fee.** If the Borrower has not drawn down the full amount of the CFC Commitment at (i) the time of filing the Completion Certificate under Section 5.01P. hereof, (ii) the time of filing the Termination Certificate under 5.01Q. hereof, (iii) a Determination of Tax Credit Ineligibility or (iv) the end of the Draw Period, a corresponding rescission of the amount of principal available to be drawn on the Note as calculated by CFC shall automatically be made without further action by the Borrower. CFC shall release the Borrower from its obligations hereunder as to such rescinded portion, provided the Borrower complies with such terms and conditions as CFC may impose for such release including, without limitation, payment of any rescission fee that CFC may from time to time prescribe, pursuant to its policies of general application.

**Section 3.06. Cancellation of Excess Moneys.** If the Borrower has not drawn down the full amount of the CFC Commitment at the time CFC determines that it will cease making Advances hereunder pursuant to Section 7.01 hereof, a corresponding cancellation of the amount of principal available to be drawn on the Note as calculated by CFC shall automatically be made without action by the Borrower.

**Section 3.07. Default Rate.** If Borrower defaults on its obligation to make a payment due hereunder by the applicable Payment Date, and such default continues for thirty days thereafter, then

beginning on the thirty-first day after the Payment Date and for so long as such default continues, Advances shall bear interest at the Default Rate.

**Section 3.08. Patronage Capital; Interest Rate Discounts.** No patronage capital shall be earned, and no interest rate discounts shall apply, to the Loan.

**Section 3.09. Optional Prepayment.** Except for prepayments made pursuant to Section 3.04 hereof, no prepayment of any Advance, in whole or in part, may be made by the Borrower.

## ARTICLE IV

## CONDITIONS OF LENDING

**Section 4.01** The obligation of CFC to make any Advance hereunder is subject to satisfaction of the following conditions in form and substance satisfactory to CFC:

**A. Legal Matters.** All legal matters incident to the consummation of the transactions hereby contemplated shall be satisfactory to counsel for CFC.

**B. Documents.** CFC shall have been furnished with (i) the executed Loan Documents, (ii) certified copies of all such organizational documents and proceedings of the Borrower authorizing the transactions hereby contemplated as CFC shall require, (iii) an opinion of counsel for the Borrower addressing such legal matters as CFC shall reasonably require, and (iv) all other such documents as CFC may reasonably request.

**C. Government Approvals.** The Borrower shall have furnished to CFC true and correct copies of all certificates, authorizations, consents, permits and licenses from Governmental Authorities necessary for the execution or delivery of the Loan Documents or performance by the Borrower of the obligations thereunder.

**D. Representations and Warranties.** The representations and warranties contained in Article II shall be true on the date of the making of each Advance hereunder with the same effect as though such representations and warranties had been made on such date; no Event of Default and no event which, with the lapse of time or the notice and lapse of time would become such an Event of Default, shall have occurred and be continuing or will have occurred after giving effect to each Advance on the books of the Borrower; there shall have occurred no material adverse change in the business or condition, financial or otherwise, of the Borrower; and nothing shall have occurred which in the opinion of CFC materially and adversely affects the Borrower's ability to perform its obligations hereunder.

**E. Mortgage Recordation.** The Mortgage (and any amendments, supplements or restatements as CFC may require from time to time) shall have been duly filed, recorded or indexed in all jurisdictions necessary (and in any other jurisdiction that CFC shall have reasonably requested) to provide CFC a lien, subject to Permitted Encumbrances, on all of the Borrower's real property, all in accordance with applicable law, and the Borrower shall have paid all applicable taxes, recording and filing fees and caused satisfactory evidence thereof to be furnished to CFC.

**F. UCC Filings.** Uniform Commercial Code financing statements (and any continuation statements and other amendments thereto that CFC shall require from time to time) shall have been duly filed, recorded or indexed in all jurisdictions necessary (and in any other jurisdiction that CFC

shall have reasonably requested) to provide CFC a perfected security interest, subject to Permitted Encumbrances, in the Mortgaged Property which may be perfected by the filing of a financing statement, all in accordance with applicable law, and the Borrower shall have paid all applicable taxes, recording and filing fees and caused satisfactory evidence thereof to be furnished to CFC.

G. **Requisitions.** The Borrower will requisition each Advance by submitting its written requisition to CFC in the form attached as Exhibit A hereto. Requisitions for Advances shall be made only for the purposes set forth in Schedule 1 hereto.

H. **Other Information.** The Borrower shall have furnished such other information as CFC may reasonably require, including but not limited to (i) information regarding the specific purpose for an Advance and the use thereof, (ii) feasibility studies, cash flow projections, financial analyses and pro forma financial statements sufficient to demonstrate to CFC's reasonable satisfaction that after giving effect to the Advance requested, the Borrower shall continue to achieve the DSC ratio set forth in Section 5.01.A herein, to meet all of its debt service obligations, and otherwise to perform and to comply with all other covenants and conditions set forth in this Agreement, and (iii) any other information as CFC may reasonably request. CFC's obligation to make any Advance hereunder is conditioned upon prior receipt and approval of the Borrower's written requisition and other information and documentation, if any, as CFC may have requested pursuant to this paragraph.

I. **Issuance of Bonds.** CFC shall have issued CREBs in an amount not less than the CFC Commitment.

J. **CREB Allocation.** CFC shall have received an allocation in the amount of the CFC Commitment from the U.S. Department of Treasury for the Borrower's Project under its Securities program.

K. **Tax Credit Ineligibility.** There shall have occurred no Determination of Tax Credit Ineligibility with regard to the Borrower or the Project.

L. **Bring Down Certificate.** Two (2) Business Days prior to the Closing Date, the Borrower shall furnish CFC with a certificate of an Authorized Officer of the Borrower in the form of Exhibit B hereto, certifying that all of the representations and warranties set forth in Article II hereof are true on the Closing Date.

## ARTICLE V

## COVENANTS

**Section 5.01 Affirmative Covenants.** The Borrower covenants and agrees with CFC that until payment in full of the Note and performance of all obligations of the Borrower hereunder:

A. **Financial Ratios; Design of Rates.** The Borrower shall achieve an Average DSC Ratio of not less than 1.35. The Borrower shall not decrease its rates for electric service if it has failed to achieve a DSC Ratio of 1.35 for the calendar year prior to such reduction subject only to an order from a Governmental Authority properly exercising jurisdiction over the Borrower.

B. **Loan Proceeds.** The Borrower shall use the proceeds of this Loan solely for the purposes identified on Schedule 1 hereto.

C. **Notice.** The Borrower shall promptly notify CFC in writing of:

(i) any material adverse change in the business, operations, prospects, assets, liabilities or financial condition of the Borrower;

(ii) the institution or threat of any litigation or administrative proceeding of any nature involving the Borrower which could materially affect the business, operations, prospects, assets, liabilities or financial condition of the Borrower;

(iii) the occurrence of an Event of Default hereunder, or any event that, with the giving of notice or lapse of time, or both, would constitute an Event of Default.

D. **Default Notices.** Upon receipt of any notices with respect to a default by the Borrower under the terms of any evidence of any indebtedness with parties other than CFC or of any loan agreement, mortgage or other agreement relating thereto, the Borrower shall deliver copies of such notice to CFC.

E. **Annual Certificates.**

(i) Within one hundred twenty (120) days after the close of each calendar year, commencing with the year in which the initial Advance hereunder shall have been made, the Borrower will deliver to CFC a written statement, in form and substance satisfactory to CFC, signed by the Borrower's General Manager or Chief Executive Officer, stating that during such year, and that to the best of said person's knowledge, the Borrower has fulfilled all of its obligations under this Agreement, the Project Agreement, the Note, and the Mortgage throughout such year or, if there has been a default in the fulfillment of any such obligations, specifying each such default known to said person and the nature and status thereof.

(ii) The Borrower shall deliver to CFC within one hundred twenty (120) days of CFC's written request, which shall be no more frequently than once every year, a certification, in form and substance satisfactory to CFC, regarding the condition of the Mortgaged Property prepared by a professional engineer satisfactory to CFC. The Borrower shall also deliver to CFC such other information as CFC may reasonably request from time to time.

F. **Loan Capital Term Certificate Purchase.** The Borrower will purchase LCTCs, if required, in an amount calculated pursuant to CFC's policies of general application and shall pay for such LCTCs as required thereby. CFC's policies with respect to such LCTCs are set forth in Schedule 1.

G. **Financial Books; Financial Reports; Right of Inspection.** The Borrower will at all times keep, and safely preserve, proper books, records and accounts in which full and true entries will be made of all of the dealings, business and affairs of the Borrower, in accordance with Accounting Requirements. When requested by CFC, the Borrower will prepare and furnish CFC from time to time, periodic financial and statistical reports on its condition and operations. All of such reports shall be in such form and include such information as may be specified by CFC. Within one hundred twenty (120) days of the end of each calendar year during the term hereof, the Borrower shall furnish to CFC a full and complete report of its financial condition and statement of its operations as of the end of such calendar year, in form and substance satisfactory to CFC. In addition, within one hundred twenty (120) days of the end of each the Borrower's fiscal years during the term hereof, the Borrower shall furnish to CFC a full and complete consolidated and consolidating report of its financial condition and statement of its operations as of the end of such fiscal year,

audited and certified by independent certified public accountants nationally recognized or otherwise satisfactory to CFC and accompanied by a report of such audit in form and substance satisfactory to CFC, including without limitation a consolidated and consolidating balance sheet and the related consolidated and consolidating statements of income and cash flow. CFC, through its representatives, shall at all times during reasonable business hours and upon prior notice have access to, and the right to inspect and make copies of, any or all books, records and accounts, and any or all invoices, contracts, leases, payrolls, canceled checks, statements and other documents and papers of every kind belonging to or in the possession of the Borrower or in anyway pertaining to its property or business.

H. **Notice of Additional Secured Debt.** The Borrower will notify CFC promptly in writing if it incurs any additional secured indebtedness other than indebtedness to CFC or indebtedness otherwise provided for in the Mortgage.

I. **Funds Requisition.** The Borrower agrees (i) that CFC may rely conclusively upon the written instructions submitted to CFC in the Borrower's written request for an Advance hereunder, (ii) that such instructions shall constitute a covenant under this Agreement to repay the Advance in accordance with such instructions, the applicable Note, the Mortgage, the Project Agreement and this Agreement, and (iii) to request Advances only for the purposes set forth in Schedule 1 hereto.

J. **Compliance With Laws.** The Borrower and each Subsidiary shall remain in compliance, in all material respects, with all applicable requirements of law and applicable rules and regulations of each Governmental Authority.

K. **Taxes.** The Borrower shall pay, or cause to be paid all taxes, assessments or governmental charges lawfully levied or imposed on or against it and its properties prior to the time they become delinquent, except for any taxes, assessments or charges that are being contested in good faith and with respect to which adequate reserves as determined in good faith by the Borrower have been established and are being maintained.

L. **Further Assurances.** The Borrower shall execute any and all further documents, financing statements, agreements and instruments, and take all such further actions (including the filing and recording of financing statements, fixture filings, mortgages, deeds of trust and other documents), which may be required under any applicable law, or which CFC may reasonably request, to effectuate the transactions contemplated by the Loan Documents or to grant, preserve, protect or perfect the Liens created or intended to be created thereby. The Borrower also agrees to provide to CFC, from time to time upon request, evidence reasonably satisfactory to CFC as to the perfection and priority of the Liens created or intended to be created by the Loan Documents.

M. **Environmental Covenants.** Borrower shall:

(i) at its own cost, comply in all material respects with all applicable Environmental Laws, including, but not limited to, any required remediation; and

(ii) if it receives any written communication alleging Borrower's violation of any Environmental Law, provide CFC with a copy thereof within ten (10) Business Days after receipt, and promptly take appropriate action to remedy, cure, defend, or otherwise affirmatively respond to the matter.

N. **Limitations on Loans, Investments and Other Obligations.** The aggregate amount of all purchases, investments, loans, guarantees, commitments and other obligations described in

Section 5.02.D(i) of this Agreement shall at all times be less than fifteen percent (15%) of Total Utility Plant or fifty percent (50%) of Equity, whichever is greater.

O. **Tax Status of the CREBs.** The Borrower shall utilize the Project or cause it to be utilized as provided in the Project Agreement until the CREB Maturity Date. No use will be made of the proceeds of the CREBs other than as set forth herein and in the Project Agreement and no changes will be made in the Project or in the operation or beneficial use thereof (including, without limiting the generality of the foregoing, the use of the Project by the Borrower or any related person) without an opinion of Bond Counsel that such a use or change will not adversely affect the eligibility of the CREBs to qualify for a tax credit for the owner thereof, for federal income tax purposes. The Borrower agrees and warrants that it will not take or authorize or permit any action to be taken and has not taken or authorized or permitted any action to be taken and will not fail to take any action to comply with the Project Agreement which adversely affects the eligibility of the CREBs to qualify for a tax credit for the owner thereof, for federal income tax purposes. This agreement and warranty shall survive the termination of this Agreement.

P. **Completion Certificate.** The Borrower shall submit to CFC within 30 days after the completion of the Project, a Completion Certificate signed by an Authorized Officer of the Borrower.

Q. **Termination Certificate.** If the Borrower determines that the Project will not be completed as described in Section 5.01.P above, then the Borrower shall submit to CFC a Termination Certificate, within 30 days of a determination that:

(i) no further acquisition, construction or installation will occur with respect to the Project; and

(ii) the Borrower does not intend to make any further Advances.

R. **Other Information.** The Borrower shall furnish such other information as CFC may reasonably require relating to the Project.

**Section 5.02 Negative Covenants.** The Borrower covenants and agrees with CFC that until payment in full of the Note and performance of all obligations of the Borrower hereunder, the Borrower will not, directly or indirectly, without CFC's prior written consent:

A. **Limitations on Mergers.** Consolidate with, merge, or sell all or substantially all of its business or assets, or enter into an agreement for such consolidation, merger or sale, to another entity or person unless such action is either approved, as is evidenced by the prior written consent of CFC, or the purchaser, successor or resulting corporation is or becomes a member in good standing of CFC and assumes the due and punctual payment of the Note and the due and punctual performance of the covenants contained in the Mortgage and this Agreement.

B. **Limitations on Sale, Lease or Transfer of Capital Assets; Application of Proceeds.** Sell, lease or transfer (or enter into an agreement to sell, lease or transfer) any capital asset, except in accordance with this Section 5.02.B. If no Event of Default (and no event which with notice or lapse of time and notice would become an Event of Default) shall have occurred and be continuing, the Borrower may, without the prior written consent of CFC, sell, lease or transfer (or enter into an agreement to sell, lease or transfer) any capital asset in exchange for fair market value consideration paid to the Borrower if the value of such capital asset is less than five percent (5%) of Total Utility Plant and the aggregate value of capital assets sold, leased or transferred in any 12-month period is less than ten percent (10%) of Total Utility Plant.

**C. Limitation on Dividends, Patronage Refunds and Other Distributions.**

(i) Make Distributions in any calendar year if, after giving effect to the Distribution, the total Equity of the Borrower will be less than twenty percent (20%) of its Total Assets.

(ii) If, after giving effect to the Distribution, the total Equity of the Borrower will be less than twenty percent (20%) of its Total Assets, then the Borrower may nevertheless make Distributions of up to thirty percent (30%) of its total margins for the preceding calendar year.

(iii) Notwithstanding anything to the contrary in subparagraphs (i) and (ii) above, the Borrower shall not make any Distribution without the prior written consent of CFC if an Event of Default under this Agreement has occurred and is continuing.

**D. Limitations on Loans, Investments and Other Obligations.**

(i) (a) Purchase, or make any commitment to purchase, any stock, bonds, notes, debentures, or other securities or obligations of or beneficial interests in, (b) make, or enter into a commitment to make, any other investment, monetary or otherwise, in, (c) make, or enter into a commitment to make, any loan to, or (d) guarantee, assume, or otherwise become liable for, or enter into a commitment to guarantee, assume, or otherwise become liable for, any obligation of any Person if, after giving effect to such purchase, investment, loan, guarantee or commitment, the aggregate amount thereof would exceed the greater of fifteen percent (15%) of Total Utility Plant or fifty percent (50%) of Equity.

(ii) The following shall not be included in the limitation of purchases, investments, loans and guarantees in (i) above: (a) bonds, notes, debentures, stock, or other securities or obligations issued by or guaranteed by the United States or any agency or instrumentality thereof; (b) bonds, notes, debentures, stock, commercial paper, subordinated capital certificates, or any other security or obligation issued by CFC or by institutions whose senior unsecured debt obligations are rated by at least two nationally recognized rating organizations in either of their two highest categories; (c) investments incidental to loans made by CFC; (d) any deposit that is fully insured by the United States; (e) loans and grants made by any Governmental Authority to the Borrower under any rural economic development program, but only to the extent that such loans and grants are non-recourse to the Borrower; and (f) unretired patronage capital allocated to the Borrower by CFC, a cooperative from which the Borrower purchases electric power, or a statewide cooperative association of which Borrower is a member.

(iii) In no event may the Borrower take any action pursuant to subsection (i) if an Event of Default under this Agreement has occurred and is continuing,

**E. Organizational Change.** Change its type of organization or other legal structure, except as permitted by Section 5.02.A. hereof, in which case the Borrower shall provide at least 30 days prior written notice to CFC together with all documentation reflecting such change as CFC may reasonably require.

**F. Notice of Change in Borrower Information.** Change its (i) state of incorporation, (ii) legal name, (iii) mailing address, or (iv) organizational identification number, if it has one, unless the Borrower provides written notice to CFC at least thirty (30) days prior to the effective date of any such change together with all documentation reflecting any such change as CFC may reasonably require.

## ARTICLE VI

## EVENTS OF DEFAULT

**Section 6.01** The following shall be "Events of Default" under this Agreement:

**A. Representations and Warranties.** Any representation or warranty made by the Borrower herein, or in any of the other Loan Documents, or in any certificate or financial statement furnished to CFC hereunder or under any of the other Loan Documents shall prove to be false or misleading in any material respect.

**B. Payment.** The Borrower shall fail to pay (whether upon stated maturity, by acceleration, or otherwise) any principal, interest, premium (if any) or other amount payable under the Note and the Loan Documents within five (5) Business Days after the due date thereof.

**C. Other Covenants.**

**(i) No Grace Period.** Failure of the Borrower to observe or perform any covenant or agreement contained in the Project Agreement or in Sections 5.01.A, 5.01.B, 5.01.D, 5.01.E, 5.01.G, 5.01.I, 5.01.N, 5.01.O and 5.02 of this Agreement.

**(ii) Thirty Day Grace Period.** Failure of the Borrower to observe or perform any other covenant or agreement contained in this Agreement or any of the other Loan Documents, which shall remain unremedied for thirty (30) calendar days after written notice thereof shall have been given to the Borrower by CFC.

**D. Legal Existence, Permits and Licenses.** The Borrower shall forfeit or otherwise be deprived of (i) its authority to conduct business in the jurisdiction in which it is organized or in any other jurisdiction where such authority is required in order for the Borrower to conduct its business in such jurisdiction or (ii) permits, easements, consents or licenses required to carry on any material portion of its business.

**E. Other CFC Obligations.** The Borrower shall be in breach or default of any Obligation, which breach or default continues uncured beyond the expiration of any applicable grace period.

**F. Other Obligations.** The Borrower shall (i) fail to make any payment of any principal, premium or any other amount due or interest on any indebtedness with parties other than CFC which shall remain unpaid beyond the expiration of any applicable grace period, or (ii) be in breach or default with respect to any other term of any evidence of any other indebtedness with parties other than CFC or of any loan agreement, mortgage or other agreement relating thereto which breach or default continues uncured beyond the expiration of any applicable grace period, if the effect of such failure, default or breach is to cause the holder or holders of that indebtedness to cause that indebtedness to become or be declared due prior to its stated maturity (upon the giving or receiving of notice, lapse of time, both or otherwise).

**G. Involuntary Bankruptcy.** An involuntary case or other proceeding shall be commenced against the Borrower seeking liquidation, reorganization or other relief with respect to it or its debts under bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property and such involuntary case or other proceeding shall continue without dismissal or

stay for a period of sixty (60) days; or an order for relief shall be entered against the Borrower under the federal bankruptcy laws or applicable state law as now or hereafter in effect.

**H. Insolvency.** The Borrower shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall admit in writing its inability to, or be generally unable to, pay its debts as they become due, or shall take any action to authorize any of the foregoing.

**I. Dissolution or Liquidation.** Other than as provided in subsection H. above, the dissolution or liquidation of the Borrower, or failure by the Borrower promptly to forestall or remove any execution, garnishment or attachment of such consequence as will impair its ability to continue its business or fulfill its obligations and such execution, garnishment or attachment shall not be vacated within sixty (60) days. The term "dissolution or liquidation of the Borrower", as used in this subsection, shall not be construed to include the cessation of the corporate existence of the Borrower resulting either from a merger or consolidation of the Borrower into or with another corporation following a transfer of all or substantially all its assets as an entirety, under the conditions set forth in Section 5.02.A.

**J. Material Adverse Change.** Any material adverse change in the business or condition, financial or otherwise, of the Borrower.

**K. Monetary Judgment.** The Borrower shall suffer any money judgment not covered by insurance, writ or warrant of attachment or similar process involving an amount in excess of $100,000 and shall not discharge, vacate, bond or stay the same within a period of sixty (60) days.

**L. Nonmonetary Judgment.** One or more nonmonetary judgments or orders (including, without limitation, injunctions, writs or warrants of attachment, garnishment, execution, distraint, replevin or similar process) shall be rendered against the Borrower that, either individually or in the aggregate, could reasonably be expected to have a material adverse effect upon the business, operations, prospects, assets, liabilities or financial condition of the Borrower.

## ARTICLE VII

## REMEDIES

**Section 7.01** If any of the Events of Default listed in Section 6 hereof shall occur after the date of this Agreement and shall not have been remedied within the applicable grace periods specified therein, then CFC may:

(i) Cease making Advances hereunder;

(ii) Declare all unpaid principal outstanding on the Note, all accrued and unpaid interest thereon, and all other Obligations to be immediately due and payable and the same shall thereupon become immediately due and payable without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived;

(iii) Exercise rights of setoff or recoupment and apply any and all amounts held, or hereby held, by CFC or owed to the Borrower or for the credit or account of the Borrower against any and all of the Obligations of the Borrower now or hereafter existing hereunder or under the Note, including, but not limited to, patronage capital allocations and retirements, money due to Borrower from equity certificates purchased from CFC, and any membership or other fees that would otherwise be returned to Borrower but excluding any LCTCs purchased by the Borrower pursuant to this Agreement. The rights of CFC under this section are in addition to any other rights and remedies (including other rights of setoff or recoupment) which CFC may have. The Borrower waives all rights of setoff, deduction, recoupment or counterclaim;

(iv) Pursue all rights and remedies available to CFC that are contemplated by the Mortgage and the other Loan Documents in the manner, upon the conditions, and with the effect provided in the Mortgage and the other Loan Documents, including, but not limited to, a suit for specific performance, injunctive relief or damages;

(v) Pursue any other rights and remedies available to CFC at law or in equity.

Nothing herein shall limit the right of CFC to pursue all rights and remedies available to a creditor following the occurrence of an Event of Default. Each right, power and remedy of CFC shall be cumulative and concurrent, and recourse to one or more rights or remedies shall not constitute a waiver of any other right, power or remedy.

## ARTICLE VIII

## MISCELLANEOUS

**Section 8.01 Notices.** All notices, requests and other communications provided for herein including, without limitation, any modifications of, or waivers, requests or consents under, this Agreement shall be given or made in writing (including, without limitation, by telecopy) and delivered to the intended recipient at the "Address for Notices" specified below; or, as to any party, at such other address as shall be designated by such party in a notice to each other party. All such communications shall be deemed to have been duly given (i) when personally delivered including, without limitation, by overnight mail or courier service, (ii) in the case of notice by United States mail, certified or registered, postage prepaid, return receipt requested, upon receipt thereof, or (iii) in the case of notice by telecopy, upon transmission thereof, provided such transmission is promptly confirmed by either of the methods set forth in clauses (i) or (ii) above in each case given or addressed as provided for herein. The Address for Notices of each of the respective parties is as follows:

National Rural Utilities Cooperative Finance Corporation
2201 Cooperative Way
Herndon, Virginia 20171-3025
Attention: Senior Vice President – Member Services
Fax # 703-709-6776

The Borrower:

The address set forth in
Schedule 1 hereto

**Section 8.02 Expenses.** Borrower shall reimburse CFC for any reasonable costs and out-of-pocket expenses paid or incurred by CFC (including, without limitation, reasonable fees and expenses of outside attorneys, paralegals and consultants) for all actions CFC takes, (a) to enforce the payment of any Obligation, to effect collection of any Mortgaged Property, or in preparation for such enforcement or collection, (b) to institute, maintain, preserve, enforce and foreclose on CFC's security interest in or Lien on any of the Mortgaged Property, whether through judicial proceedings or otherwise, (c) to restructure any of the Obligations, (d) to review, approve or grant any consents or waivers hereunder, (e) to prepare, negotiate, execute, deliver, review, amend or modify this Agreement, (f) to prepare, negotiate, execute, deliver, review, amend or modify any other agreements, documents and instruments deemed necessary or appropriate by CFC in connection with any of the foregoing, and (g) to obtain any opinions required to be furnished upon a Determination of Tax Credit Ineligibility and an extraordinary prepayment as set forth in Section 3.04 hereof or a rescission of excess money as set forth in Section 3.05 or a cancellation of excess moneys as set forth in Section 3.06.

The amount of all such expenses identified in this Section 8.02 shall be secured by the Mortgage and shall be payable upon demand, and if not paid, shall accrue interest at the Default Rate.

**Section 8.03 Late Payments.** If payment of any amount due hereunder is not received at CFC's office in Herndon, Virginia, or such other location as CFC may designate to the Borrower within five (5) Business Days after the due date thereof, the Borrower will pay to CFC, in addition to all other amounts due under the terms of the Loan Documents, any late payment charge as may be fixed by CFC from time to time pursuant to its policies of general application as in effect from time to time.

**Section 8.04. Non-Business Day Payments.** If any payment to be made by the Borrower hereunder shall become due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall be included in computing any interest in respect of such payment.

**Section 8.05 Filing Fees.** To the extent permitted by law, the Borrower agrees to pay all expenses of CFC (including the reasonable fees and expenses of its counsel) in connection with the filing, registration, recordation or perfection of the Mortgage and any other security instruments as may be required by CFC in connection with this Agreement, including, without limitation, all documentary stamps, recordation and transfer taxes and other costs and taxes incident to execution, filing, registration or recordation of any document or instrument in connection herewith. The Borrower agrees to save harmless and indemnify CFC from and against any liability resulting from the failure to pay any required documentary stamps, recordation and transfer taxes, recording costs, or any other expenses incurred by CFC in connection with this Agreement. The provisions of this subsection shall survive the execution and delivery of this Agreement and the payment of all other amounts due under the Loan Documents.

**Section 8.06 Waiver; Modification.** No failure on the part of CFC to exercise, and no delay in exercising, any right or power hereunder or under the other Loan Documents shall operate as a waiver thereof, nor shall any single or partial exercise by CFC of any right hereunder, or any abandonment or discontinuance of steps to enforce such right or power, preclude any other or further exercise thereof or the exercise of any other right or power. No modification or waiver of any provision of this Agreement, the Note or the other Loan Documents and no consent to any departure by the Borrower therefrom shall in any event be effective unless the same shall be in writing by the

party granting such modification, waiver or consent, and then such modification, waiver or consent shall be effective only in the specific instance and for the purpose for which given.

**SECTION 8.07 GOVERNING LAW; SUBMISSION TO JURISDICTION; WAIVER OF JURY TRIAL.**

(A) THE PERFORMANCE AND CONSTRUCTION OF THIS AGREEMENT AND THE NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE COMMONWEALTH OF VIRGINIA.

(B) THE BORROWER HEREBY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF THE UNITED STATES COURTS LOCATED IN VIRGINIA AND OF ANY STATE COURT SO LOCATED FOR PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. THE BORROWER IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTIONS THAT IT MAY NOW OR HEREAFTER HAVE TO THE ESTABLISHING OF THE VENUE OF ANY SUCH PROCEEDINGS BROUGHT IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

(C) THE BORROWER AND CFC EACH HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

**SECTION 8.08 INDEMNIFICATION.** THE BORROWER HEREBY INDEMNIFIES AND AGREES TO HOLD HARMLESS, AND DEFEND CFC AND ITS MEMBERS, DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, ATTORNEYS AND REPRESENTATIVES (EACH AN "INDEMNITEE") FOR, FROM, AND AGAINST ALL CLAIMS, DAMAGES, LOSSES, LIABILITIES, COSTS, AND EXPENSES (INCLUDING, WITHOUT LIMITATION, COSTS AND EXPENSES OF LITIGATION AND REASONABLE ATTORNEYS' FEES) ARISING FROM ANY CLAIM OR DEMAND IN RESPECT OF THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS, THE MORTGAGED PROPERTY, OR THE TRANSACTIONS DESCRIBED IN THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS AND ARISING AT ANY TIME, WHETHER BEFORE OR AFTER PAYMENT AND PERFORMANCE OF ALL OBLIGATIONS UNDER THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS IN FULL, EXCEPTING ANY SUCH MATTERS ARISING SOLELY FROM THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF CFC OR ANY INDEMNITEE INCLUDING WITHOUT LIMITATION ANY DETERMINATION MADE OR OTHER ACTION TAKEN BY CFC PURSUANT TO SECTIONS 3.04, 3.05 and 3.06 OF THIS AGREEMENT. NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN SECTION 8.10 HEREOF, THE OBLIGATIONS IMPOSED UPON THE BORROWER BY THIS SECTION SHALL SURVIVE THE REPAYMENT OF THE NOTE, THE TERMINATION OF THIS AGREEMENT AND THE TERMINATION OR RELEASE OF THE LIEN OF THE MORTGAGE.

**Section 8.09 Complete Agreement.** This Agreement, together with the schedules to this Agreement, the Note and the other Loan Documents, and the other agreements and matters referred to herein or by their terms referring hereto, is intended by the parties as a final expression of their agreement and is intended as a complete statement of the terms and conditions of their agreement. In the event of any conflict in the terms and provisions of this Agreement and any other Loan Documents, the terms and provisions of this Agreement shall control.

**Section 8.10 Survival; Successors and Assigns.** All covenants, agreements, representations and warranties of the Borrower which are contained in this Agreement shall survive the execution and delivery to CFC of the Loan Documents and the making of the Loan hereunder and shall continue in full force and effect until all of the obligations under the Loan Documents have been paid in full. All covenants, agreements, representations and warranties of the Borrower which are contained in this Agreement shall inure to the benefit of the successors and assigns of CFC. The Borrower shall not have the right to assign its rights or obligations under this Agreement without the prior written consent of CFC, except as provided in Section 5.02.A hereof.

**Section 8.11 Use of Terms.** The use of the singular herein shall also refer to the plural, and vice versa.

**Section 8.12 Headings.** The headings and sub-headings contained in this Agreement are intended to be used for convenience only and do not constitute part of this Agreement.

**Section 8.13 Severability.** If any term, provision or condition, or any part thereof, of this Agreement, the Note or the other Loan Documents shall for any reason be found or held invalid or unenforceable by any governmental agency or court of competent jurisdiction, such invalidity or unenforceability shall not affect the remainder of such term, provision or condition nor any other term, provision or condition, and this Agreement, the Note and the other Loan Documents shall survive and be construed as if such invalid or unenforceable term, provision or condition had not been contained therein.

**Section 8.14 Binding Effect.** This Agreement shall become effective when it shall have been executed by both the Borrower and CFC and thereafter shall be binding upon and inure to the benefit of the Borrower and CFC and their respective successors and assigns.

**Section 8.15 Counterparts.** This Agreement may be executed in one or more counterparts, each of which will be deemed an original and all of which together will constitute one and the same document. Signature pages may be detached from the counterparts and attached to a single copy of this Agreement to physically form one document.

**Section 8.16 Disclosure.** This Agreement and any other Loan Document may be shared by CFC with such Persons as shall be required in order to facilitate the issuance of the CREBs, including, but not limited to, its attorneys, underwriters and investors in the CREBs.

**Section 8.17 Schedule 1.** Schedule 1 attached hereto is an integral part of this Agreement.

**IN WITNESS WHEREOF,** the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

SULPHUR SPRINGS VALLEY
ELECTRIC COOPERATIVE, INC.

(SEAL)

By: Lane Manning

Title: President

Attest: _____
~~Secretary~~

CREDEN W. HUBER
CHIEF EXECUTIVE OFFICER

NATIONAL RURAL UTILITIES
COOPERATIVE FINANCE CORPORATION

(SEAL)

By: Marianne Dusold
Assistant Secretary-Treasurer

MARIANNE L DUSOLD

Attest: _____
Assistant Secretary-Treasurer

CRAIG COLANTONI

## SCHEDULE 1

1. The purpose of this loan is to finance (i) the reimbursement of the cost of the Project of the Borrower, including any reasonable costs and expenses incurred by the Borrower in connection with financing the Project, as described and permitted by the terms of the Project Agreement and (ii) a portion of CFC's costs in issuing the CREBs as set forth in Section 3.02.A.

2. The Project of the Borrower being financed by the Loan (funded by proceeds of the CREBs) constitutes the following clean renewable energy facilities:

   Bowie Unified School District Photovoltaic Solar Automobile Parking Shade Structure

   This project will place photovoltaic modules costing $280,000 each, that will produce 23 kW of electricity in the shade structures in the two Bowie Unified School District schools. The PV structure will provide electricity to the respective school with excess power flowing to the Borrower's system.

3. Subject to the terms of this Agreement, CFC has agreed to loan to the Borrower from proceeds of the CREBs, an amount not to exceed $560,000.00 (the "CFC Commitment").

4. Draw Period shall mean the period beginning on the Closing Date and ending on the date that is five (5) years thereafter.

5. The Borrower shall not purchase the LCTCs or any portion thereof with funds from the Loan. The Borrower shall use its own funds or funds borrowed under another credit facility to purchase such LCTCs, subject to the CFC policies regarding LCTCs set forth in the following paragraph.

   **CFC Policies Regarding LCTCs:** (i) Any solvent Member of CFC with an outstanding LCTC purchased in connection with a loan from the proceeds of Securities may borrow the outstanding amount of the LCTC from CFC without a further credit review, for a term equal to or shorter than the maturity of the LCTC at a rate equal to the comparable rate charged by CFC for similarly classified loans; and (ii) any Member of CFC with an outstanding LCTC purchased in connection with a loan from the proceeds of Securities may sell such LCTC to another Member of CFC for consideration.

6. The Mortgage shall mean the Restated Mortgage and Security Agreement, dated as of December 6, 2007, between the Borrower and CFC, as it may have been supplemented, amended, consolidated, or restated from time to time.

7. The Note executed pursuant hereto is as follows:

| LOAN NUMBER | AMOUNT |
|---|---|
| AZ014-A-9034-CB001 | $560,000.00 |

8. The Subsidiaries of the Borrower referred to in Section 2.01.B. are: None

9. The date of the Borrower's balance sheet referred to in Section 2.01.H is June 30, 2006.

10. The Borrower's exact legal name is: Sulphur Springs Valley Electric Cooperative, Inc.

11. The Borrower's organizational type is: Corporation

12. The Borrower is organized under the laws of the state of: Arizona

13. The Borrower's organizational identification number is: 0038220-2

14. The place of business or, if more than one, the chief executive office of the Borrower referred to in Section 2.01.I is 311 East Wilcox, Sierra Vista, Arizona 85635.

15. The Governmental Authority referred to in Section 2.01.J. is: Arizona Corporation Commission

16. The address for notices to the Borrower referred to in Section 8.01 is 311 East Wilcox, Sierra Vista, Arizona 85635, Attention: General Manager, Fax: (520) 384-5223.

## Exhibit A - Funds Requisition Statement

Borrower Name & ID: Sulphur Springs Valley Electric Cooperative, Inc. (AZ014)
Loan Number: AZ014-A-9034-CB001
Loan Agreement and Project Agreement with CFC dated:
CREBs Series: 2008A
CFC CREBs Application #: 4
Name of Project: Bowie Unified School District Photovoltaic Solar Automobile Parking Shade Structure
Funds Requisition Statement No.:

**Amount Requested:**
**Date Of Advance:**

**Disposition of Funds (wiring instructions):**

### Certification

Acting on behalf of the Borrower, I hereby certify that as of the date below: (1) I am duly authorized to make this certification and to request funds on the terms specified herein; (2) the Borrower has met all of the conditions contained in the Loan Agreement and the Project Agreement listed above governing the terms of this Advance that the Borrower is required to meet prior to an Advance of funds; (3) all of the representations and warranties contained in said Loan Agreement and Project Agreement are true and will continue to be true upon use of the funds as hereby requested; (4) no Event of Default, under the Loan Agreement or the Borrower's Mortgage, has occurred and is continuing; (5) I know of no other event that has occurred which, with the lapse of time and/or notification to CFC of such event, or after giving effect to this Advance, would become an Event of Default under the Loan Agreement or the Borrower's Mortgage; (6) the funds requested herein will be used only as a reimbursement for the purposes specified in the Loan Agreement and the Project Agreement; (7) the costs to be reimbursed by the funds requested herein are capital expenditures and have not previously been reimbursed under a previous Funds Requisition Statement; (8) the Borrower has secured sufficient funds to complete the Project; (9) any necessary permits and approvals required for the Project at this point have been obtained; (10) the Borrower is maintaining a file containing true and correct copies of invoices or bills of sale covering all items for which payment is sought by this request; (11) such costs have been incurred and paid by the Borrower in connection with the Project; (12) the Borrower is not using the funds requested hereby to make any payments of principal or interest due under the Loan Agreement; (13) no expenditure which is being reimbursed by the funds requested hereby was paid more than eighteen months after the later of (i) the date the expenditure is paid or (ii) the date the Project is placed in service, but in no event later than three years after the date the original expenditure was paid; and (14) set forth below is a table listing all of the major components of the Project, how much is being requested in this Funds Requisition Statement as an advance for certain components, how much has been advanced on each component to date, the percentage of each component that is completed

to date, and the purpose of the advance(s) being requested by this Funds Requisition Statement.

I hereby authorize CFC, for and on behalf of the Borrower, to forward this Funds Requisition Statement to the Trustee for disbursement of the Advance from the Project Account relating to the above Loan to the Borrower on the following terms, and hereby acknowledge and agree that such terms shall be binding upon Borrower under the provisions of the Loan Agreement governing this Advance:

| Project Component | Amount Expended to Date by Borrower | Amount Advanced to Date | Advance Amount Requested Herein | Percentage Complete |
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| Total | | | | |

Certified By:

_____ _____ _____

Signature Date Title of Authorized Officer

**PLEASE FAX TO 703-709-6776 ATTN: _____, Associate Vice President**

APPROVED:

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION

By: _____
Title: _____
Date: _____

**EXHIBIT B**

**BRING-DOWN CERTIFICATE**
**OF**
**BORROWER**

The undersigned, _____, duly qualified officers of SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (the *"Borrower"*), an Arizona corporation, hereby certify as follows:

1. The following documents have been duly executed, and delivered or accepted in the name and on behalf of the Borrower by the authorized officer or officers of the Borrower pursuant to, and in full compliance with, authority granted by the Board of Trustees/Directors of the Borrower:

| DOCUMENT | DATE | OTHER PARTY OR PARTIES |
|---|---|---|
| Loan Agreement (the *"Agreement"*) | _____, 200_ | National Rural Utilities Cooperative Finance Corporation (*"CFC"*) |
| Project Agreement (the *"Project Agreement"*) | _____, 200_ | |
| Note (the *"Note"*) | _____, 200_ | |

2. Each of the representations and warranties of the Borrower in the Loan Agreement and the Project Agreement are true and correct on and as of the date hereof (the *"Closing Date"*), and the Borrower has complied with all agreements and satisfied all conditions on its part to be observed or satisfied thereunder at or prior to the Closing Date.

IN WITNESS WHEREOF, the undersigned have hereunto set their signatures this ____ day of _____, 2008.

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

By _____
Title:

By _____
Title:

**EXHIBIT C**

**COMPLETION CERTIFICATE**
**OF**
**BORROWER**

Pursuant to the Loan Agreement dated as of _____ by and between SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (the "Borrower") and National Rural Utilities Cooperative Finance Corporation ("CFC") relating to CFC Loan Number AZ014-A-9034-CB001 (the "Loan Agreement"), the undersigned, _____, duly qualified officer of the Borrower, hereby certifies as follows:

(i) On [date of completion] all portions of the Project (as defined in the Loan Agreement) have been fully completed substantially in accordance with any plans and specifications therefore, as then amended; and

(ii) Amount advanced on the Loan (as defined in the Loan Agreement) and the use of the property financed, refinanced or reimbursed therefrom will not cause any of the representations or certifications contained in the Project Agreement (as defined in the Loan Agreement) to be untrue or result in a violation of any covenant in the Project Agreement.

IN WITNESS WHEREOF, the undersigned have hereunto set his/her signature this ____ day of _____, 20____.

SULPHUR SPRINGS VALLEY ELECTRIC
COOPERATIVE, INC.

By _____
Title:

**EXHIBIT D**

**TERMINATION CERTIFICATE**
**OF**
**BORROWER**

Pursuant to the Loan Agreement dated as of _____ by and between SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (the "Borrower") and National Rural Utilities Cooperative Finance Corporation ("CFC") relating to CFC Loan Number AZ014-A-9034-CB001 (the "Loan Agreement"), the undersigned, _____, duly qualified officer of the Borrower, hereby certifies as follows:

(i) all portions of the Project (as defined in the Loan Agreement) have not been fully completed substantially in accordance with any plans and specifications therefor, as then amended;

(ii) no further acquisition, construction or installation will occur with respect to the Project (as defined in the Loan Agreement); and

(iii) the Borrower does not intend to request any further Advances (as defined in the Loan Agreement) on the Loan (as defined in the Loan Agreement).

IN WITNESS WHEREOF, the undersigned have hereunto set his/her signature this ____ day of _____, 20____.

SULPHUR SPRINGS VALLEY ELECTRIC
COOPERATIVE, INC.

By _____
Title:

**SECURED PROMISSORY NOTE**

$840,000.00 dated as of 12/21/2007

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC., an Arizona corporation (the "Borrower"), for value received, hereby promises to pay, without setoff, deduction, recoupment or counterclaim, to the order of NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION (the "Payee"), at its office in Herndon, Virginia office or such other location at its office in Herndon, Virginia or such other location as the Payee may designate to the Borrower, in lawful money of the United States, the principal sum of EIGHT HUNDRED FORTY THOUSAND AND 00/100 DOLLARS ($840,000.00), or such lesser sum of the aggregate unpaid principal amount of all advances made by the Payee pursuant to that certain Loan Agreement dated as of even date herewith between the Borrower and the Payee, as it may be amended from time to time (herein called the "Loan Agreement"), and to pay interest on all amounts remaining unpaid hereunder from the date of each advance in like money, at said office, at the rate and in amounts and payable on the dates provided in the Loan Agreement together with any other amount payable under the Loan Agreement. If not sooner paid, any balance of the principal amount and interest accrued thereon shall be due and payable on the Maturity Date.

This Note is secured under a Restated Mortgage and Security Agreement, dated of December 6, 2007 between the Borrower and the Payee, as it may have been or shall be supplemented, amended, consolidated or restated from time to time ("Mortgage"). This Note is one of the Notes referred to in, and has been executed and delivered pursuant to, the Loan Agreement.

The principal hereof and interest accrued thereon and any other amount due under the Loan Agreement may be declared to be forthwith due and payable in the manner, upon the conditions, and with the effect provided in the Mortgage or the Loan Agreement.

The Borrower waives demand, presentment for payment, notice of dishonor, protest, notice of protest, and notice of non-payment of this Note.

IN WITNESS WHEREOF the Borrower has caused this Note to be signed in its corporate name and its corporate seal to be hereunto affixed and to be attested by its duly authorized officers, all as of the day and year first above written.

SULPHUR SPRINGS VALLEY
ELECTRIC COOPERATIVE, INC.

(SEAL)

By: Gene Manning

Title: President

Attest: _____
~~Secretary~~

CREDEN W. HUBER
CHIEF EXECUTIVE OFFICER

Loan No. AZ014-A-9035-CB001

CFC NOTE
AZ014-A-9035-CB001 (JABLONJ)
116029-2

**PROJECT AGREEMENT**

**OF**

**SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (THE *"BORROWER"*)**

DATED: as of 12/21/2007

The undersigned is a duly qualified officer of the Borrower named above and, as such officer, is familiar with (i) the properties, affairs and records of the Borrower, (ii) the issuance of the Securities (as hereinafter defined) and the use of the proceeds thereof as it relates to the Borrower and (iii) the Project, as hereinafter defined.

In connection with the issuance of the Clean Renewable Energy Bonds (Cooperative Renewable Energy Projects) Series 2008A (the *"Securities"*), being issued by the National Rural Utilities Cooperative Finance Corporation (the *"Issuer"*), the undersigned hereby certifies and covenants regarding the use of the proceeds of the Securities advanced to the Borrower, as follows:

1. General.

1.1 This Project Agreement is made pursuant to Section 54 of the Internal Revenue Code of 1986, as amended (the *"Code"*), and any United States Treasury regulations and other guidance thereunder to make the certifications required by Section 54 of the Code and any United Stares Treasury regulations and other guidance thereunder and to establish the reasonable expectations of the Borrower with respect to the amount and use of amounts to be advanced to the Borrower pursuant to the Loan Agreement dated as of even date herewith between the Issuer and the Borrower (the *"Loan Agreement"*). Capitalized terms used herein are defined where they first appear or are defined in *Exhibit A* attached hereto.

1.2 This Project Agreement is based on facts and estimates in existence on the date hereof and the continued veracity of these facts and estimates as of the date that the Securities are issued (the *"Closing"*) will be confirmed by the Borrower on the date of Closing, and on the basis of such facts and estimates, the Borrower expects that the events described herein will occur. To the best of the undersigned's knowledge, information, and belief, the expectations contained in this Project Agreement are reasonable.

1.3 The Borrower is a Qualified Borrower, as defined in *Exhibit A,* and is responsible for the acquiring/constructing/equipping of the Project (defined below). The undersigned has reviewed this Project Agreement, as well as the provisions of Section 54 of the Code and any United States Treasury regulations and other guidance thereunder, with its own legal counsel and understands and is familiar with this Project Agreement and the provisions of Section 54 and any United States Treasury regulations and other guidance thereunder. The Borrower will

comply in all respects with the provisions of Section 54 and any United States Treasury regulations and other guidance thereunder.

1.4 The Borrower agrees to keep and retain or cause to be kept and retained sufficient records to demonstrate compliance with the covenants in this Project Agreement. Such records shall include, but are not limited to, basic records relating to the issuance of the Securities (including this Project Agreement and the inducement resolution as described in Section 3.3 hereof); documentation evidencing the expenditure of amounts advanced to the Borrower pursuant to the Loan Agreement; documentation evidencing the use of property financed with amounts advanced to the Borrower pursuant to the Loan Agreement; and documentation evidencing all sources of payment or security maintained by the Borrower for amounts advanced to the Borrower pursuant to the Loan Agreement. Such records shall be kept until the date three (3) years after the CREB Maturity Date.

1.5 Neither the Borrower nor any Related Person (as defined in Exhibit A) to the Borrower will purchase any Securities.

2. Qualified Project.

2.1 The Loan Agreement requires the amounts advanced thereunder to be used for facilities to be owned by the Borrower, described in more detail in Section 2.2 hereof and in *Exhibit B* attached hereto as the "Updated Description of the Project" (the *"Project"*). The Project was originally described in an exhibit to the Application for National Clean Renewable Energy Bond Limitation submitted to the Internal Revenue Service by the Issuer in support of the national clean renewable energy bond allocation received by the Issuer, which "Original Description of the Project" is attached hereto as *Exhibit C.*

2.2 The Project is a Solar Energy Facility (the *"Qualifying Facility"*), as defined in *Exhibit A* and property functionally related and subordinate thereto, as further described in *Exhibit B,* attached hereto.

3. Clean Renewable Energy Bonds Qualification.

3.1 At least 95 percent of the proceeds advanced to the Borrower pursuant to the Loan Agreement will be used by the Borrower for capital expenditures with respect to the Project. None of the proceeds of the Loan (as defined in the Loan Agreement) will be paid to the Issuer, the Borrower or any Related Person to the Issuer or the Borrower, except for amounts paid to the Borrower to reimburse the Borrower for actual and direct expenditures relating to the Project paid by the Borrower to persons other than the Issuer, the Borrower or any Related Person to the Issuer or the Borrower.

3.1 The Borrower has incurred or will, within six months of the Closing Date, incur a substantial binding obligation (not subject to contingencies within the control of the Issuer, the Borrower or any Related Person to either of them) to a third party

to expend at least ten percent of the Loan Amount (*i.e.* the total amount to be advanced to the Borrower pursuant to the Loan Agreement). It is expected that the work of acquiring/constructing/equipping the Project and the expenditure of the Loan Amount will proceed with due diligence through September 29, 2008, at which time it is anticipated that the Loan Amount will have been spent in its entirety. The Borrower acknowledges that, to the extent that less than 95 percent of the Loan Amount is expended by a date five years from the date of issuance of the Securities, the Borrower will be required to prepay its Loan in an amount, and the Issuer will redeem Securities at the end of such five-year period in an amount, necessary to maintain the tax credit with respect to the Securities, unless otherwise permitted by Section 6.5 hereof.

It is expected that all amounts advanced to the Borrower under the Loan Agreement will be spent to pay costs of the Project in accordance with the estimated periodic drawdown schedule contained in *Exhibit D,* attached hereto. The assumptions set forth in this Section 3.2 and on *Exhibit D,* attached hereto, represent the Borrower's best estimate, as of this date, of the periodic drawdown schedule of the Loan Amount.

3.3 The Borrower may use amounts advanced to the Borrower under the Loan Agreement to reimburse itself for expenditures paid prior to the date of issuance of the Securities. The Borrower shall reimburse itself for expenditures paid prior to the date of issuance of the Securities only if such expenditure was paid after the Borrower adopted an inducement resolution, and the expenditure is described in such inducement resolution.

**The Borrower shall use proceeds of the Loan to reimburse itself for expenditures paid prior to the date the Securities were issued only if such reimbursement is made within eighteen months after the later of (i) the date the expenditure is paid or (ii) the date the Project is placed in service, but in no event later than three years after the date the original expenditure was paid.**

Except for any reimbursement allowed under this Section 3.3, no portion of the proceeds advanced to the Borrower will be used to pay for expenditures relating to acquiring existing facilities (as contrasted with costs of enhancements, repair or rehabilitation of existing facilities).

3.4 Neither the Project nor any portion thereof has been, is expected to be, or will be sold or otherwise disposed of, in whole or in part, prior to the last maturity date of the Securities.

3.5 The Borrower has entered into the Loan Agreement of even date hereof under which it is committed to borrow $840,000 from the Issuer of the Securities and the Borrower reasonably expects to borrow and expend the full amount of such commitment.

3.6 At least 75% of the Loan Amount is expected to be used for Construction Purposes.

3.7 The Borrower will not use proceeds of the Loan (i) to pre-pay for goods or services to be received over a period of years prior to the date such goods or services are to be received, or (ii) to pay for or otherwise acquire goods or services from an Affiliated Person, as defined in *Exhibit A*.

3.8 The Borrower shall at all times be a Qualified Borrower.

4. Remedial Action.

4.1 The Borrower agrees to operate the Project as a Qualifying Facility.

The Borrower acknowledges that if property financed with proceeds of the Securities advanced to the Borrower is operated in a manner other than as a Qualifying Facility such operation may constitute a "deliberate action" that may require remedial actions to prevent the tax credit being produced by the Securities from being disallowed.

The Borrower shall promptly contact the Issuer as provided in Section 6.3 hereof if it considers operating property financed with proceeds of the Loan other than as a Qualifying Facility.

4.2 The Borrower acknowledges that if property financed with proceeds of the Loan is sold or otherwise disposed of in a manner contrary to the provisions of Section 3.4 hereof, such sale or disposition may constitute a "deliberate action" that may require remedial actions to prevent the tax credit being produced by the Securities from being disallowed. If the Borrower considers the sale or other disposition of property financed with proceeds of the Loan, it shall promptly contact the Issuer, in the manner set forth in Section 6.3 hereof.

5. Funds and Accounts; Investments.

5.1 After the issuance of the Securities, neither the Borrower nor any Related Person to the Borrower has or will have any property, including cash, securities or any other property held as a passive vehicle for the production of income or for investment purposes, that constitutes:

(i) amounts that have a sufficiently direct nexus to the Securities or to the governmental purpose of the Securities to conclude that the amounts would have been used for that governmental purpose if the Securities were not used or to be used for that governmental purpose (the mere availability or preliminary earmarking of such amounts for a governmental purpose, however, does not itself establish such a sufficient nexus);

(ii) amounts in a debt service fund, redemption fund, reserve fund, replacement fund or any similar fund to the extent reasonably expected to be used directly or indirectly to pay principal of or interest on the Securities or any amounts for which there is provided, directly or indirectly, a reasonable assurance that the amount will be available to pay principal of or interest on the Securities or any credit enhancement or liquidity device with respect to the Securities, even if the Issuer, the Borrower or any Related Person to either of them encounter financial difficulties; or

(iii) any amounts held pursuant to any agreement (such as an agreement to maintain certain levels of types of assets) made for the benefit of the holders of the Securities or any credit enhancement provider, including any liquidity device or negative pledge (*e.g.*, any amount pledged to pay principal of or interest on an issue held under an agreement to maintain the amount at a particular level for the direct or indirect benefit of holders of the Securities or a guarantor of the Securities).

No compensating balance, liquidity account, negative pledge of property held for investment purposes required to be maintained at least at a particular level or similar arrangement exists with respect to, in any way, the Securities or any credit enhancement or liquidity device related to the Securities.

5.2 During the acquiring/constructing/equipping of the Project, the Borrower will only draw down amounts from the Issuer for capital expenditures already paid by the Borrower.

5.3 Neither the Borrower nor any Related Person to the Borrower will enter into any hedge (*e.g.*, an interest rate swap, interest rate cap, futures contract, forward contract or an option) with respect to the Loan or the Securities.

5.4 All property subject to the Mortgage is and will be used by the Borrower in the conduct of its trade or business. The Borrower reasonably expects to repay the Loan from current operating revenues. The Mortgage does not require that cash, securities, obligations, annuity contracts or other property held principally as a passive vehicle for the production of income be maintained, individually or collectively, at any particular level.

6. Miscellaneous.

6.1 This Project Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia.

6.2 Prior to the date 15 days before the Securities were sold, neither the Borrower nor any Related Person to the Borrower has sold or delivered any obligations that are reasonably expected to be paid out of substantially the same source of funds as the Securities. Neither the Borrower nor any Related Person to the Borrower will sell

or deliver within 15 days after the date hereof any obligations that are reasonably expected to be paid out of substantially the same source of funds as the Securities.

6.3 All notices provided for herein shall be given or made in writing (including, without limitation, by telecopy) and delivered to the Issuer at the "Address for Notices" specified below. All such communications shall be deemed to have been duly given (i) when personally delivered including, without limitation, by overnight mail or courier service, (ii) in the case of notice by United States mail, certified or registered, postage prepaid, return receipt requested, upon receipt thereof, or (iii) in the case of notice by telecopy, upon transmission thereof, provided such transmission is promptly confirmed by either of the methods set forth in clauses (i) or (ii) above in each case given or addressed as provided for herein. The Address for Notices of the Issuer is as follows:

National Rural Utilities Cooperative Finance Corporation
2201 Cooperative Way
Herndon, Virginia 20171-3025
Attention: Senior Vice President – Member Services
Fax #703-709-6776

6.4 The Borrower represents that it has not been contacted by the Internal Revenue Service or any issuer of bonds, the proceeds of which were loaned to the Borrower regarding any examination of any tax exempt bonds issued for the benefit of the Borrower. To the best of the knowledge of the Borrower, no such obligations of the Borrower are currently under examination by the Internal Revenue Service.

6.5 Any restriction or covenant contained herein need not be observed or may be changed if such nonobservance or change will not result in the loss of any tax credit under Section 54 of the Code for the purpose of federal income taxation to which the Securities is otherwise entitled and the Borrower receives an opinion of Bond Counsel to such effect and the Issuer agrees to such nonobservance or change.

6.6 If any clause, provision or section of this Project Agreement is ruled invalid by any court of competent jurisdiction, the invalidity of such clause, provision or section shall not affect any of the remaining clauses, sections or provisions hereof.

6.7 The terms, provisions, covenants and conditions of this Project Agreement shall bind and inure to the benefit of the respective successors and assigns of the Issuer and the Borrower.

6.8 This Project Agreement shall terminate on the date three (3) years after the CREB Maturity Date.

The undersigned acknowledge that this Project Agreement is given as a basis for an opinion of the law firm of Chapman and Cutler LLP, Chicago, Illinois, and such firm is hereby authorized to rely on this Project Agreement.

DATED as of the day and year first above written.

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

By Gene Manning

Title President

## EXHIBIT A

## DEFINITIONS

*"Affiliated Person"* means any Person that (a) at any time during the six months prior to the Closing Date, (i) has more than five percent of the voting power of the governing body of the Issuer or the Borrower in the aggregate vested in its directors, officers, owners, and employees or (ii) has more than five percent of the voting power of its governing body in the aggregate vested in directors, officers, board members, owners, members or employees of the Issuer or the Borrower or (b) during the one-year period beginning six months prior to the Closing Date, (i) the composition of the governing body of which is modified or established to reflect (directly or indirectly) representation of the interests of the Issuer or the Borrower (or for which an agreement, understanding, or arrangement relating to such a modification or establishment during that one-year period) or (ii) the composition of the governing body of the Issuer or the Borrower is modified or established to reflect (directly or indirectly) representation of the interests of such Person (or for which an agreement, understanding, or arrangement relating to such a modification or establishment during that one-year period).

*"Bond Counsel"* means Chapman and Cutler LLP or any other nationally recognized firm of attorneys experienced in the field of municipal obligations whose opinions are generally accepted by purchasers of municipal obligations.

*"Closing Date"* means the date the Issuer issues the Securities.

*"Code"* means the Internal Revenue Code of 1986, as amended.

*"Constructed Personal Property"* means tangible personal property (or, if acquired pursuant to a single acquisition contract, properties) or Specially Developed Computer Software if (i) a substantial portion of the property or properties is completed more than six (6) months after the earlier of the date construction or rehabilitation commenced and the date the Borrower entered into an acquisition contract; (ii) based on the reasonable expectations of the Borrower, if any, or representations of the person constructing the property, with the exercise of due diligence, completion of construction or rehabilitation (and delivery to the issuer) could not have occurred within that six-month period; and (iii) if the Borrower itself builds or rehabilitates the property, not more than 75 percent of the capitalizable cost is attributable to property acquired by the Borrower (*e.g.,* components, raw materials, and other supplies).

*"Construction Purposes"* means capital expenditures that are allocable to the cost of Real Property or Constructed Personal Property. Except as provided in the next succeeding sentence, construction expenditures do not include expenditures for acquisitions of interests in land or other existing real property. Expenditures are not for the acquisition of an interest in existing real property other than land if the contract between the seller and the Borrower requires the seller to build or install the property (*e.g.,* a *turnkey contract*), but only to the extent that the property has not been built or installed at the time the parties enter into the contract.

*"Control"* means the possession, directly or indirectly through others, of either of the following discretionary and non-ministerial rights or powers over another entity (i) to approve and to remove without cause a controlling portion of the governing body of a Controlled Entity, or (ii) to require the use of funds or assets of a Controlled Entity for any purpose.

*"Controlled Entity"* means any entity or one of a group of entities that is subject to Control by a Controlling Entity or group of Controlling Entities.

*"Controlled Group"* means a group of entities directly or indirectly subject to Control by the same entity or group of entities, including the entity that has the Control of the other entities.

*"Controlling Entity"* means any entity or one of a group of entities directly or indirectly having Control of any entities or group of entities.

*"CREB Maturity Date"* shall have the meaning ascribed to it in the Loan Agreement.

*"Governmental Body"* means any State, territory, possession of the United States, the District of Columbia, Indian tribal government, and any political subdivision thereof.

*"Mortgage"* means the mortgage and security agreement applicable to substantially all of the property of the Borrower.

*"Qualified Borrower"* means (i) a mutual or cooperative electric company described in Sections 501(c)(12) or 1381(a)(2)(C) of the Code, or (ii) a Governmental Body (as defined above).

*"Real Property"* means land and improvements to land, such as buildings or other inherently permanent structures, including interests in real property. For example, real property includes wiring in a building, plumbing systems, central heating or air-conditioning systems, pipes or ducts, elevators, escalators installed in a building, paved parking areas, roads, wharves and docks, bridges, and sewage lines.

*"Related Person"* means any member of the same Controlled Group as the Issuer or the Borrower and any person related to the Issuer or a Borrower within the meaning of Section 144(a)(3) of the Code.

*"Solar Energy Facility"* means a facility using solar energy to produce electricity.

*"Specially Developed Computer Software"* means any programs or routines used to cause a computer to perform a desired task or set of tasks, and the documentation required to describe and maintain those programs, provided that the software is specially developed and is functionally related and subordinate to real property or other constructed personal property.

*"Tangible Personal Property"* means any tangible property other than real property, including interests in tangible personal property. For example, tangible personal property

includes machinery that is not a structural component of a building, subway cars, fire trucks, automobiles, office equipment, testing equipment, and furnishings.

## EXHIBIT B

### UPDATED DESCRIPTION OF THE PROJECT

| | |
|---|---|
| CFC Application | No. 5 Sulphur Springs Valley EC, Inc. |
| Bond Proceeds Needed for Project: | $840,000 |
| Bond Allocation Requested and Received: | $840,000 |

Name of Project: Cochise College Solar Automobile Parking Shade Structure

Project Street Addresses

| | | |
|---|---|---|
| Cochise College<br>901 N. Colombo Ave.<br>Sierra Vista, AZ 85635<br>Phone (520) 515-0500 | Cochise College<br>1025 State Route 90<br>Benson, AZ 85602<br>Phone (520) 586-1981 | Cochise College<br>1110 W. Fremont St.<br>Willcox, AZ 85643<br>Phone (520) 384-4502 |

County: Cochise County

| | |
|---|---|
| Individual Name to Contact | Jack Blair |
| Company Name | Sulphur Springs Valley Electric Cooperative, Inc. |
| Street Address | 311 E. Wilcox Drive |
| City, State, Zip | Sierra Vista, AZ 85635 |
| Telephone Number | (520) 515-3470 |
| Fax | (520) 458-3467 |

Updated Detailed Description of the Project:

A cantilevered shade structure at a school on the top of which will be constructed a 23kW solar photovoltaic system to supply power to the school. Excess power will flow on to the SSVEC system.

## EXHIBIT C

## ORIGINAL DESCRIPTION OF THE PROJECT

## [ATTACH COPY OF EXHIBIT A TO ISSUER APPLICATION TO THE IRS]
## CLEAN RENEWABLE ENERGY BONDS APPLICATION
## EXHIBIT A

## SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (SSVEC)

## COCHISE COLLEGE SHADE STRUCTURE

This project will place photovoltaic modules costing $280,000 each, that will produce 23 kW of electricity in the automobile parking shade structures in the three Cochise College schools. The PV structure will provide electricity to the respective school at no charge. There will also be a cable connection to a computer in the library of each school to show students how the system is working.

This project is the identical project that Navopache Electric Cooperative in Arizona built in 2001 that continues to function with no issues/problems.

SSVEC will operate and maintain the structure. Any excess power produced will flow back to the SSVEC grid.

The PV structures at the schools will significantly reduce their electric bills, which have been disproportionately large due to the per meter monthly surcharges mandated by the Environmental Portfolio Program (EPP), and approved by the Arizona Corporation Commission. All customers pay the EPP fees to SSVEC, which uses them to fund renewable energy projects. Since each school has many meters, they pay the EPP a disproportionately large amount of dollars. The benefit of reduced electric bills will offset their payments into the fund.

The RFP issued by Sulphur Springs Valley Electric Cooperative follows.

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.
A TOUCHSTONE ENERGY® COOPERATIVE

FOR THE ELECTRIC COOPERATIVES IN THE STATE OF ARIZONA

# REQUEST
# A
# PROPOSAL

FOR

## A PHOTOVOLTAIC SYSTEM
## USED FOR
## SHADE STRUCTURES
## FOR
## PUBLIC BUILDINGS

ISSUED: AUGUST 1, 2005

Narrative: The Electric Cooperatives in Arizona (Duncan Valley EC, Graham County EC, Mohave EC, Navopache EC, Sulphur Springs Valley EC, Trico EC and Arizona Electric Power Cooperative, Inc.) request a proposal for a modular designed system to supply a 10 kW to30 kW Photovoltaic (PV) system. System size is relative to the space available for the PV panels on each site. System may consist of multiple freestanding modules interconnected to meet the 10 to 30 kW size requirement. Modules to be used as freestanding carports or freestanding covers for walkways to provide shade. These systems are to be used at public buildings to increase the awareness of PV systems and operations and systems will be sized based on the available space. Base pricing for 10, 15, 20, 25, and 30 kW systems are requested (systems may be rounded to the nearest 5kW increment). The interconnection cost from the PV system to nearest distribution panel will be on a case by case basis due to the variation in sites. This RFP is not all inclusive and contractor may include other specifications or requirements they feel are necessary for a successful venture.

This RFP is released on August 1, 2005 and response must be in a written proposal by October 1, 2005. For questions or clarification of details please contact Albert Gomez (520-515-3473) or David Bane (520-515-3472).

SCOPE OF WORK - THE CONTRACTOR WILL BE RESPONSIBLE FOR THE FOLLOWING:

- Structural design of the supporting PV structures (carport and walkway)
- One line circuit diagrams for approval by local Cooperative's engineering department
- Complete wiring diagrams (to be included in owner manual)
- Isolation transformers as needed to meet the NEC
- Purchase and installation of all components
- Systems test period of 4-6 weeks prior to transfer of title of equipment to site owner

- Any required Permits (Cooperative will reimburse actual cost of permits)
- Meter socket on the A/C output of the inverter(s)
- Interconnection with Customers electric service
- Fencing around inverters and other equipment as required for security and public safety
- Project to meet or exceed SunWatts standards
- Basic training for site owner / site operator
- Operators Manual

THE COOPERATIVE WILL PROVIDE THE FOLLOWING:

- Meter to measure AC output from PV system to owners electric panel
- Written permission from site owner to build the PV Module
- Act as the point of contact with the installation Contractor on behalf of the site owner

STRUCTURAL DESIGN REQUIREMENTS:

The basic structure is to support the PV cells but must be able to work as a carport with all the required clearances. Support should be in a cantilever style to allow easy parking, spacing on vertical supports should be in multiples of 10 feet to be able to match typical parking lot spacing, height should allow the parking of full size passenger vans, and structure does not have to be water proof (providing shade to vehicles is secondary to the production of energy). Sample profile (to show intent not required design) is on page 4. Ideal structure would have the ability to support PV panels that would be effective if the long side of the structure is in a North-South as well as East-West orientation.

PV DESIGN REQUIREMENTS:

- PV panels shall have warranty for a minim mum of 15 years to cover rated output (output degradation not to exceed 20% over life of panel)
- All system components will be UL certified
- System will include isolation transformers per section 250-30 of the NEC
- Polyphase inverter with voltage to match customer's system
- Inverter to match capacity of project
- 15 year manufacturers warranty on Inverter (contractor may use an extended warranty insurance policy to meet 15 year requirement)
- Contractor will warranty repair labor at 100% for first 5 years, 66% of labor for second 5 years, and 33% of labor for remaining 5 years, (limited to warranty repairs)
- Interconnection costs from site of PV system to nearest practical distribution panel will be on a case by case basis, (site selection process will keep this as short as possible)
- SunWatts Requirement:
- One-line drawings subject to approval by local Cooperative's engineering department
- Units to operate in parallel with grid
- Includes protection for out of frequency problems
- Low harmonics
- Inverter must disconnect in the event grid power is lost

- Lockable safety switch located between the inverter and meter socket

TRAINING REQUIREMENTS:

The Contractor will provide sufficient time with the site owner to explain how to disconnect the system, locate inverter, identify all junction boxes between the modules, and identify any system warning lights or displays. Contractor will also provide system manual with basic operating instructions and all the associated warranty information and manufacturer contacts listed.

## EXHIBIT D

### MONTHLY DRAWDOWN SCHEDULE OF AMOUNTS TO BE ADVANCED TO THE BORROWER PURSUANT TO THE LOAN AGREEMENT

| DATE ON WHICH PROCEEDS ARE EXPECTED TO BE EXPENDED | AMOUNTS OF PROCEEDS TO BE EXPENDED |
|---|---|
| 6/02/2008 | $ 280,000 |
| 6/09/2008 | $ 280,000 |
| 9/29/2008 | $ 280,000 |

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

To

NATIONAL RURAL UTILITIES
COOPERATIVE FINANCE CORPORATION
Issuer

# LOAN AGREEMENT

Dated as of 12/21, 2007

Clean Renewable Energy Bonds
(Cooperative Renewable Energy Projects) Series 2008A
of National Rural Utilities Cooperative Finance Corporation

CFC LOANAG
AZ014-A-9035-CB001 (JABLONJ)
117561-2

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EXHIBIT D TERMINATION CERTIFICATE OF BORROWER

## LOAN AGREEMENT

**LOAN AGREEMENT** (this "Agreement") dated as of _____, between SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. ("Borrower"), a corporation organized and existing under the laws of the State of Arizona and NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION ("CFC"), a cooperative association organized and existing under the laws of the District of Columbia.

## RECITALS

**WHEREAS,** the Borrower has applied to CFC for a loan for the purposes set forth in Schedule 1 hereto, and CFC is willing to make such a loan to the Borrower on the terms and conditions stated herein; and

**WHEREAS,** the Borrower has agreed to execute a promissory note to evidence an indebtedness in the aggregate principal amount of the CFC Commitment (as hereinafter defined).

**NOW, THEREFORE,** for and in consideration of the premises and the mutual covenants hereinafter contained, the parties hereto agree and bind themselves as follows:

## ARTICLE I

## DEFINITIONS

**Section 1.01** For purposes of this Agreement, the following capitalized terms shall have the following meanings (such definitions to be equally applicable to the singular and the plural form thereof). Capitalized terms that are not defined herein shall have the meanings as set forth in the Mortgage.

**"Accounting Requirements"** shall mean any system of accounts prescribed by a federal regulatory authority having jurisdiction over the Borrower or, in the absence thereof, the requirements of GAAP applicable to businesses similar to that of the Borrower.

**"Advance"** shall mean each advance of funds by CFC to the Borrower pursuant to the terms and conditions of this Agreement, including the Initial Advance and the Primary Advance.

**"Authorized Officer of the Borrower"** means the Chairman, General Manager or Chief Financial Officer of the Borrower or any other person authorized by the Board of the Borrower so to act or any other person performing a function similar to the function performed by any such officer or authorized person.

**"Average DSC Ratio"** shall mean the average of the Borrower's two highest annual DSC Ratios during the most recent three calendar years.

**"Bond Counsel"** means an attorney at law or a firm of attorneys (designated by CFC and acceptable to the Trustee) of nationally recognized standing in matters pertaining to the tax-exempt nature of interest or tax credits on bonds issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of any state of the United States of America.

**"Business Day"** shall mean any day that both CFC and the depository institution CFC utilizes for funds transfers hereunder are open for business.

**"CFC Commitment"** shall have the meaning as defined in Schedule 1.

**"CFC CREB Rate"** shall mean the interest rate charged by CFC for loans made by CFC from proceeds of the CREBs which rate shall not exceed one hundred and fifty basis points (150/100 of 1%) per annum.

**"Closing Date"** shall mean the date CFC issues the CREBs.

**"Code"** shall mean the Internal Revenue Code of 1986, as supplemented and amended.

**"Completion Certificate"** shall mean the certificate of the Borrower required by Section 5.01.P of this Agreement, substantially in the form of Exhibit C hereto.

**"CREBs"** shall mean the series of Securities issued by CFC to provide financing for the Project.

**"CREB Maturity Date"** shall mean the maturity date of the CREBs, which shall be the December 15th prior to the Maximum CREB Term Anniversary Date.

**"Debt Service Coverage ("DSC") Ratio"** shall mean the ratio determined as follows: for any calendar year add (i) Operating Margins, (ii) Non-Operating Margins--Interest, (iii) Interest Expense, (iv) Depreciation and Amortization Expense, and (v) cash received in respect of generation and transmission and other capital credits, and divide the sum so obtained by the sum of all payments of Principal and Interest Expense required to be made during such calendar year; provided, however, that in the event that any amount of Long-Term Debt has been refinanced during such year, the payments of Principal and Interest Expense required to be made during such year on account of such refinanced amount of Long-Term Debt shall be based (in lieu of actual payments required to be made on such refinanced amount of Long-Term 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 payment of Principal and Interest Expense required to be made during the following year on account of such refinancing debt.

**"Default Rate"** shall mean a rate per annum equal to one hundred and fifty basis points (150/100 of 1%).

**"Depreciation and Amortization Expense"** shall mean an amount constituting the depreciation and amortization of the Borrower computed pursuant to Accounting Requirements.

**"Determination of Tax Credit Ineligibility"** shall mean a determination that a particular series of Securities does not qualify for a tax credit for the owner thereof under Section 54 of the Code, which determination shall be deemed to have been made upon the occurrence of the first to occur of the following:

(a) the date on which CFC determines that there is a significant likelihood that a particular series of Securities may not qualify for a tax credit, if such determination is supported by a written opinion of Bond Counsel to that effect; or

(b) the date on which CFC shall receive notice in writing that the Trustee has been advised by the owner of any Security that a particular series of Securities does not qualify for a tax credit for the owner thereof, based upon a final determination made either by: (A) the Internal Revenue Service in a published or private ruling or technical advice memorandum or (B) any court of competent jurisdiction in the United States of America, as a result of a failure by CFC or any borrower to observe any agreement or representation in the Tax Compliance Agreement or a Loan Agreement or Project Agreement relating to the proceeds of the Securities. Any such determination will not be considered final for this purpose unless the Owner of the Securities involved in the proceeding or action resulting in the determination (i) gives CFC and the Trustee prompt written notice of the commencement thereof and (ii) if CFC agrees to pay all expenses in connection therewith and to indemnify such Owner of the Securities against all liabilities in connection therewith, offers CFC an opportunity to contest the determination, either directly or in the name of the Owner of the Securities, and until conclusion of any review, if sought.

**"Distributions"** shall mean, with respect to the Borrower, any dividend, patronage refund, patronage capital retirement or cash distribution to its members, or consumers (including but not limited to any general cancellation or abatement of charges for electric energy or services furnished by the Borrower). The term "Distribution" shall *not* include (a) a distribution by the Borrower to the estate of a deceased patron, (b) repayment by the Borrower of a membership fee upon termination of a membership, or (c) any rebate to a patron resulting from a cost abatement received by the Borrower, such as a reduction of wholesale power cost previously incurred.

**"Draw Period"** shall have the meaning as described in Schedule 1 hereto.

**"Environmental Laws"** shall mean all laws, rules and regulations promulgated by any Governmental Authority, with which Borrower is required to comply, regarding the use, treatment, discharge, storage, management, handling, manufacture, generation, processing, recycling, distribution, transport, release of or exposure to any Hazardous Material.

**"Equity"** shall mean the aggregate of the Borrower's equities and margins computed pursuant to Accounting Requirements.

**"Event of Default"** shall have the meaning as described in Article VI hereof.

**"Funds Requisition Statement"** shall mean the certificate of the Borrower, in the form set forth as Exhibit A to this Agreement, by which the Borrower will obtain an advance of funds from CFC under the Loan.

**"GAAP"** shall mean generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board.

**"Governmental Authority"** shall mean the government of the United States of America, any other nation or government, any state or other political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

**"Hazardous Material"** shall mean any (a) petroleum or petroleum products, radioactive materials, asbestos-containing materials, polychlorinated biphenyls, lead and radon gas, and (b) any

other substance designated as hazardous or toxic or as a pollutant or contaminant under any Environmental Law.

**"Indenture"** shall mean the Indenture between CFC and U.S. Bank Trust Company National Association, relating to the first issue of Securities, pursuant to which the Securities, including the CREBs are issued, as supplemented and amended.

**"Initial Advance"** shall mean the Advance made by CFC on the Closing Date pursuant to Section 3.02.A hereof to fund a portion of CFC's costs in issuing the CREBs attributable to the CFC Commitment, including, but not limited to, original issue discount, underwriting discount and other costs of issuance, including, without limitation, rating agency costs and legal, underwriting and Trustee expenses.

**"Interest Expense"** shall mean an amount constituting the interest expense with respect to Long-Term Debt of the Borrower computed pursuant to Accounting Requirements. 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 Restricted Rentals paid by the Borrower over 2% of the Borrower's Equity.

**"Lien"** shall mean any statutory or common law consensual or non-consensual mortgage, pledge, security interest, encumbrance, lien, right of set off, claim or charge of any kind, including, without limitation, any conditional sale or other title retention transaction, any lease transaction in the nature thereof and any secured transaction under the Uniform Commercial Code.

**"Loan"** shall mean the loan made by CFC to the Borrower, pursuant to this Agreement and the Note, in an aggregate principal amount not to exceed the CFC Commitment.

**"Loan Capital Term Certificate" or "LCTC"** shall mean a certificate, or book entry form of account, evidencing the Borrower's purchase of equity in CFC.

**"Loan Documents"** shall mean this Agreement, the Note, the Mortgage, the Project Agreement and all other documents or instruments executed, delivered or executed and delivered by the Borrower and evidencing, securing, governing or otherwise pertaining to, the Loan.

**"Long-Term Debt"** shall mean an amount constituting the long-term debt of the Borrower computed pursuant to Accounting Requirements.

**"Maturity Date"** shall mean the Payment Date immediately prior to the CREB Maturity Date permitted for the CREBs under Section 54(e)(2) of the Code as in effect on the Closing Date.

**"Maximum CREB Term Anniversary Date"** shall mean the anniversary of the Closing Date that occurs at the maximum term permitted for the CREBs under Section 54(e)(2) of the Code as in effect on the Closing Date.

**"Mortgage"** shall have the meaning as described in Schedule 1 hereto.

**"Mortgaged Property"** shall have the meaning ascribed to it in the Mortgage.

**"Non-Operating Margins--Interest"** shall mean the amount representing the interest component of non-operating margins of the Borrower computed pursuant to Accounting Requirements.

**"Note"** shall mean the secured promissory note, payable to the order of CFC, executed by the Borrower, dated as of even date herewith, pursuant to this Agreement as identified on Schedule 1 hereto and shall include any substitute note or modification thereto.

**"Obligations"** shall mean any and all liabilities, obligations or indebtedness owing by the Borrower to CFC, of any kind or description, irrespective of whether for the payment of money, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising.

**"Operating Margins"** shall mean the amount of patronage capital and operating margins of the Borrower computed pursuant to Accounting Requirements.

**"Payment Date"** shall mean the first (1st) day of each of March, June and September and December.

**"Payment Notice"** shall mean a notice furnished by CFC to the Borrower that indicates the amount of each payment of interest or interest and principal and the total amount of each payment due.

**"Permitted Encumbrances"** shall have the meaning ascribed to it in the Mortgage.

**"Person"** shall mean natural persons, cooperatives, corporations, limited liability companies, limited partnerships, general partnerships, limited liability partnerships, joint ventures, associations, companies, trusts or other organizations, irrespective of whether they are legal entities, and Governmental Authorities.

**"Primary Advance"** shall mean the Advance made by CFC to the Borrower pursuant to Section 3.02.B hereof two Business Days after the Closing Date to reimburse Borrower for costs of the Project.

**"Principal"** shall mean the amount of principal billed on account of Long-Term Debt of the Borrower computed pursuant to Accounting Requirements.

**"Project"** shall mean the project being financed pursuant to the Loan, as further described in Schedule 1.

**"Project Account"** means an account created pursuant to the Indenture within the Project Fund related to the CREBs.

**"Project Agreement"** shall mean the Project Agreement, dated as of even date herewith, executed by the Borrower with respect to the Project and the CREBs.

**"Project Fund"** means the Project Fund created and identified as such in the Indenture.

**"Restricted Rentals"** shall mean all rentals required to be paid under finance leases and charged to income, exclusive of any amounts paid under any such lease (whether or not designated therein as rental or additional rental) for maintenance or repairs, insurance, taxes, assessments, water rates or similar charges. For the purpose of this definition the term "finance lease" shall mean any lease having a rental term (including the term for which such lease may be renewed or extended at the option of the lessee) in excess of three (3) years and covering property having an initial cost in excess of $250,000 other than automobiles, trucks, trailers, other vehicles (including without

limitation aircraft and ships), office, garage and warehouse space and office equipment (including without limitation computers).

**"Securities"** shall mean one or more series of clean renewable energy bonds issued by CFC under the Indenture.

**"Subsidiary"** as to any Person, shall mean a corporation, partnership, limited partnership, limited liability company or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise qualified, all references to a "Subsidiary" or to "Subsidiaries" in this Agreement shall refer to a Subsidiary or Subsidiaries of the Borrower.

**"Tax Compliance Agreement"** means a tax compliance certificate and agreement of CFC with respect to a series of Securities, as accepted by the Trustee, as amended.

**"Termination Certificate"** shall mean the certificate of the Borrower required by Section 5.01.Q of this Agreement, substantially in the form of Exhibit D hereto.

**"Total Assets"** shall mean an amount constituting the total assets of the Borrower computed pursuant to Accounting Requirements.

**"Total Utility Plant"** shall mean the amount constituting the total utility plant of the Borrower computed pursuant to Accounting Requirements.

**"Trustee"** shall mean U.S. Bank Trust Company National Association and its successors and assigns.

## ARTICLE II

## REPRESENTATIONS AND WARRANTIES

**Section 2.01** The Borrower represents and warrants to CFC that as of the date of this Agreement:

**A. Good Standing.** The Borrower is duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization, is duly qualified to do business and is in good standing in those states in which it is required to be qualified to conduct its business. The Borrower is a member in good standing of CFC.

**B. Subsidiaries and Ownership.** Schedule 1 hereto sets forth a complete and accurate list of the Subsidiaries of the Borrower showing the percentage of the Borrower's ownership of the outstanding stock, membership interests or partnership interests, as applicable, of each Subsidiary.

**C. Authority; Validity.** The Borrower has the power and authority to enter into this Agreement, the Note, the Project Agreement and the Mortgage; to make the borrowing hereunder; to execute and deliver all documents and instruments required hereunder and to incur and perform the obligations provided for herein, in the Note, in the Project Agreement and in the Mortgage, all of which have been duly authorized by all necessary and proper action; and no consent or approval of

any Person, including, as applicable and without limitation, members of the Borrower, which has not been obtained is required as a condition to the validity or enforceability hereof or thereof.

Each of this Agreement, the Note, the Project Agreement and the Mortgage is, and when fully executed and delivered will be, legal, valid and binding upon the Borrower and enforceable against the Borrower in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity.

**D. No Conflicting Agreements.** The execution and delivery of the Loan Documents and performance by the Borrower of the obligations thereunder, and the transactions contemplated hereby or thereby, will not: (i) violate any provision of law, any order, rule or regulation of any court or other agency of government, any award of any arbitrator, the articles of incorporation or by-laws of the Borrower, or any indenture, contract, agreement, mortgage, deed of trust or other instrument to which the Borrower is a party or by which it or any of its property is bound; or (ii) be in conflict with, result in a breach of or constitute (with due notice and/or lapse of time) a default under, any such award, indenture, contract, agreement, mortgage, deed of trust or other instrument, or result in the creation or imposition of any Lien (other than contemplated hereby) upon any of the property or assets of the Borrower.

The Borrower is not in default in any material respect under any agreement or instrument to which it is a party or by which it is bound and no event or condition exists which constitutes a default, or with the giving of notice or lapse of time, or both, would constitute a default under any such agreement or instrument.

**E. Taxes.** The Borrower, and each of its Subsidiaries, has filed or caused to be filed all federal, state and local tax returns which are required to be filed and has paid or caused to be paid all federal, state and local taxes, assessments, and governmental charges and levies thereon, including interest and penalties to the extent that such taxes, assessments, and governmental charges and levies have become due, except for such taxes, assessments, and governmental charges and levies which the Borrower or any Subsidiary is contesting in good faith by appropriate proceedings for which adequate reserves have been set aside.

**F. Licenses and Permits.** The Borrower has duly obtained and now holds all licenses, permits, certifications, approvals and the like necessary to own and operate its property and business that are required by Governmental Authorities and each remains valid and in full force and effect.

**G. Litigation.** There are no outstanding judgments, suits, claims, actions or proceedings pending or, to the knowledge of the Borrower, threatened against or affecting the Borrower, its Subsidiaries or any of their respective properties which, if adversely determined, either individually or collectively, would have a material adverse effect upon the business, operations, prospects, assets, liabilities or financial condition of the Borrower or its Subsidiaries. The Borrower and its Subsidiaries are not, to the Borrower's knowledge, in default or violation with respect to any judgment, order, writ, injunction, decree, rule or regulation of any Governmental Authority which would have a material adverse effect upon the business, operations, prospects, assets, liabilities or financial condition of the Borrower or its Subsidiaries.

**H. Financial Statements.** The balance sheet of the Borrower as at the date identified in Schedule 1 hereto, the statement of operations of the Borrower for the period ending on said date, and the interim financial statements of the Borrower, all heretofore furnished to CFC, are complete and correct. Said balance sheet fairly presents the financial condition of the Borrower as at said date

and said statement of operations fairly reflects its operations for the period ending on said date. The Borrower has no contingent obligations or extraordinary forward or long-term commitments except as specifically stated in said balance sheet or herein. There has been no material adverse change in the financial condition or operations of the Borrower from that set forth in said financial statements except changes disclosed in writing to CFC prior to the date hereof.

I. **Borrower's Legal Status.** Schedule 1 hereto accurately sets forth: (i) the Borrower's exact legal name, (ii) the Borrower's organizational type and jurisdiction of organization, (iii) the Borrower's organizational identification number or accurate statement that the Borrower has none, and (iv) the Borrower's place of business or, if more than one, its chief executive office as well as the Borrower's mailing address if different.

J. **Required Approvals.** Other than the CREBs allocation received from the Internal Revenue Service, no license, consent or approval of any Governmental Authority is required to enable the Borrower to enter into this Agreement, the Project Agreement, the Note and the Mortgage, or to perform any of its Obligations provided for in such documents, including without limitation (and if applicable), that of any state public utilities commission, any state public service commission, and the Federal Energy Regulatory Commission, except as disclosed in Schedule 1 hereto, all of which the Borrower has obtained prior to the date hereof.

K. **Compliance With Laws.** The Borrower and each Subsidiary is in compliance, in all material respects, with all applicable requirements of law and all applicable rules and regulations of each Governmental Authority.

L. **Disclosure.** To the Borrower's knowledge, information and belief, neither this Agreement nor any document, certificate or financial statement furnished to CFC by or on behalf of the Borrower in connection herewith (all such documents, certificates and financial statements, taken as a whole) contains any untrue statement of a material fact or omits to state any material fact necessary in order to make the statements contained herein and therein not misleading.

M. **No Other Liens.** As to property which is presently included in the description of Mortgaged Property, the Borrower has not, without the prior written approval of CFC, executed or authenticated any security agreement or mortgage, or filed or authorized any financing statement to be filed with respect to assets owned by it, other than security agreements, mortgages and financing statements in favor of CFC, except as disclosed in writing to CFC prior to the date hereof or relating to Permitted Encumbrances.

N. **Environmental Matters.** Except as to matters which individually or in the aggregate would not have a material adverse effect upon the business or financial condition of the Borrower or its Subsidiaries, (i) Borrower is in compliance with all Environmental Laws (including, but not limited to, having any required permits and licenses), (ii) there have been no releases (other than releases remediated in compliance with Environmental Laws) from any underground or aboveground storage tanks (or piping associated therewith) that are or were present at the Mortgaged Property, (iii) Borrower has not received written notice or claim of any violation of any Environmental Law, (iv) there is no pending investigation of Borrower in regard to any Environmental Law, and (v) to the best of Borrower's knowledge, there has not been any release or contamination (other than releases or contamination remediated in compliance with Environmental Laws) resulting from the presence of Hazardous Materials on property owned, leased or operated by the Borrower.

O. **Project Agreement.** As set forth in the Project Agreement, the Project constitutes "a qualified project" as defined in Section 54(d)(2)(A) of the Code. As set forth in the Project Agreement,

the Borrower constitutes currently, and will remain through the period that the CREBs remain outstanding, "a Qualified Borrower", meaning a (i) mutual or cooperative electric company described in Sections 501(c)(12) or 1381(a)(2)(C) of the Code, or (ii) a Governmental Body, which is defined as any state, territory possession of the U.S., the District of Columbia, Indian tribal government, and any political subdivision thereof. The statements, information and descriptions contained in the Project Agreement are true, correct and complete, and do not contain any untrue statement or misleading statement of a material fact, and do not omit to state a material fact required to be stated therein or necessary to make the statements, information and descriptions contained therein, in the light of the circumstances under which they were made, not misleading, and the estimates and the assumptions contained in the Project Agreement are reasonable and based on the best information available to the Borrower.

## ARTICLE III

## LOAN

**Section 3.01 Definitions.** For purposes of this Article 3, the following capitalized terms shall have the following meanings:

**"Borrower's Annual Bond Repayment Amount"** shall mean the amount determined by dividing the CFC Commitment by the number of years from the Closing Date to the Maximum CREB Term Anniversary Date, which amount shall be recalculated on the date CFC rescinds any excess moneys pursuant to Section 3.05 or 3.06 hereof.

**"Quarterly Bond Deposit Amount"** shall mean for each Payment Date, the amount determined by subtracting from the Quarterly Bond Repayment Amount the principal amount payable by the Borrower pursuant to Section 3.03.A(ii)(b)(1) on such Payment Date.

**"Quarterly Bond Repayment Amount"** shall mean one-fourth (¼) of the Borrower's Annual Bond Repayment Amount.

**Section 3.02 Advances.** The obligation of the Borrower to repay the Advances shall be evidenced by the Note. The aggregate amount of all Advances made hereunder shall not exceed the CFC Commitment. At the end of the Draw Period, CFC shall have no further obligation to make Advances.

**A. Initial Advance.** Borrower hereby agrees that on the Closing Date, CFC shall automatically, and without action by Borrower, make the Initial Advance. On the Closing Date, CFC shall notify Borrower of the final amount of the Initial Advance and the amount of the CFC Commitment remaining for Borrower to subsequently Advance.

**B. Subsequent Advances.**

(i) The Borrower may submit a request for the Primary Advance to CFC in writing (which may be submitted by facsimile) no later than 12:00 noon local time at CFC's offices in Herndon, Virginia seven Business Days prior to the Closing Date. The Primary Advance may be requested in any amount up to the CFC Commitment. CFC shall make the Primary Advance two Business Days after the Closing Date in the lesser of (i) the aggregate amount of such requested Primary Advance, and (ii) the amount of the CFC Commitment less the amount of the Initial Advance.

(ii) Except as set forth in 3.02.A and 3.02.B(i) hereof, the Borrower shall submit its request for an Advance to CFC in writing (which may be submitted by facsimile) no later than 12:00 noon local time at CFC's offices in Herndon, Virginia at least two (2) Business Days prior to the last Business Day of any calendar month. Borrower may make multiple requests for Advances during any calendar month in any amount so long as the aggregate amount of all Advances requested in such month is in an amount not less than $100,000.00; *provided, however* that at such time as there remains less than $100,000.00 available for Advance hereunder, Borrower may request the entirety of such remaining amount. CFC shall make a single Advance to Borrower on the first Business Day of the calendar month following Borrower's request(s) for an Advance. Such Advance shall be in the aggregate amount of all Advances requested by Borrower in the prior month, *provided however* that at such time as there remains less than $100,000.00 available for Advance hereunder and Borrower requests the entirety of such remaining amount, CFC shall Advance the entirety of such remaining amount.

**Section 3.03 Interest Rate and Payment.** The Note shall be payable and bear interest as follows:

**A. Payments; Maturity; Amortization.**

(i) The Note shall be due and payable on the Maturity Date.

(ii) On each Payment Date, the Borrower shall promptly pay the following:

(a) accrued interest on the principal amount of the Loan outstanding less the amount of the Initial Advance; and

(b) the Quarterly Bond Repayment Amount, consisting of:

(1) the principal amount due on any outstanding Advances, determined on the basis of a quarterly amortization schedule from the date of each Advance; and

(2) the Quarterly Bond Deposit Amount.

(iii) If not sooner paid, any amount due on account of the unpaid principal, interest accrued thereon and fees, if any, shall be due and payable on the Maturity Date.

(iv) Each Advance shall amortize on a level principal payment basis from the date thereof through the Maturity Date.

(v) CFC will furnish to the Borrower a Payment Notice at least ten (10) days before each Payment Date, provided, however, that CFC's failure to send a Payment Notice shall not constitute a waiver by CFC or be deemed to relieve the Borrower of its obligation to make payments as and when due as provided for herein.

(vi) No provision of this Agreement or of any Note shall require the payment, or permit the collection, of interest in excess of the highest rate permitted by applicable law.

Borrower agrees that the records of, and all computations by, CFC (in whatever media they are recorded or maintained) as to the amount of principal, interest, fees and Quarterly Bond Deposit Amount due on the Loan shall be conclusive in the absence of manifest error.

B. **Application of Payments.** Each payment shall be applied to the Loan, first to any fees, costs, expenses or charges other than interest or principal, second to interest accrued, third to the Quarterly Bond Deposit Amount and the balance to principal.

C. **Application of Bond Repayment Deposit.** At such time as the aggregate amount billed by CFC in any calendar year on account of amortized principal under this Agreement exceeds the Borrower's Annual Bond Repayment Amount for such year, CFC shall apply a portion of the Borrower's prior payments of the Quarterly Bond Deposit Amount in the amount of such overage to principal then due. Until such time, Borrower's payments of the Quarterly Bond Deposit Amount shall not reduce the amount of principal outstanding and subject to amortization. Any amount paid by the Borrower under this Agreement on account of the Quarterly Bond Deposit Amount in excess of the principal amount of the fully advanced Loan shall be refunded to the Borrower on the Maturity Date.

D. **Interest Rate Computation.** Each Advance except the Initial Advance shall bear interest at the CFC CREB Rate which shall apply until the Maturity Date. The Initial Advance shall not bear interest. Interest on Advances shall be computed on the basis of a 30-day month and 360-day year.

**Section 3.04. Extraordinary Obligation to Prepay.** Upon a Determination of Tax Credit Ineligibility that subjects the CREBs to an extraordinary mandatory redemption due to a failure of the Borrower to observe any agreement or representation in this Loan Agreement (as more particularly described in paragraph (b) of the defined term "Determination of Tax Credit Ineligibility"), the Borrower shall prepay the Loan, or such part thereof as determined by CFC, at such times and in such amounts as determined by CFC within sixty (60) days of such determination together with a prepayment premium prescribed by CFC pursuant to its policies of general application in effect from time to time.

**Section 3.05. Rescission of Excess Moneys; Fee.** If the Borrower has not drawn down the full amount of the CFC Commitment at (i) the time of filing the Completion Certificate under Section 5.01P. hereof, (ii) the time of filing the Termination Certificate under 5.01Q. hereof, (iii) a Determination of Tax Credit Ineligibility or (iv) the end of the Draw Period, a corresponding rescission of the amount of principal available to be drawn on the Note as calculated by CFC shall automatically be made without further action by the Borrower. CFC shall release the Borrower from its obligations hereunder as to such rescinded portion, provided the Borrower complies with such terms and conditions as CFC may impose for such release including, without limitation, payment of any rescission fee that CFC may from time to time prescribe, pursuant to its policies of general application.

**Section 3.06. Cancellation of Excess Moneys.** If the Borrower has not drawn down the full amount of the CFC Commitment at the time CFC determines that it will cease making Advances hereunder pursuant to Section 7.01 hereof, a corresponding cancellation of the amount of principal available to be drawn on the Note as calculated by CFC shall automatically be made without action by the Borrower.

**Section 3.07. Default Rate.** If Borrower defaults on its obligation to make a payment due hereunder by the applicable Payment Date, and such default continues for thirty days thereafter, then

beginning on the thirty-first day after the Payment Date and for so long as such default continues, Advances shall bear interest at the Default Rate.

**Section 3.08. Patronage Capital; Interest Rate Discounts.** No patronage capital shall be earned, and no interest rate discounts shall apply, to the Loan.

**Section 3.09. Optional Prepayment.** Except for prepayments made pursuant to Section 3.04 hereof, no prepayment of any Advance, in whole or in part, may be made by the Borrower.

## ARTICLE IV

## CONDITIONS OF LENDING

**Section 4.01** The obligation of CFC to make any Advance hereunder is subject to satisfaction of the following conditions in form and substance satisfactory to CFC:

**A. Legal Matters.** All legal matters incident to the consummation of the transactions hereby contemplated shall be satisfactory to counsel for CFC.

**B. Documents.** CFC shall have been furnished with (i) the executed Loan Documents, (ii) certified copies of all such organizational documents and proceedings of the Borrower authorizing the transactions hereby contemplated as CFC shall require, (iii) an opinion of counsel for the Borrower addressing such legal matters as CFC shall reasonably require, and (iv) all other such documents as CFC may reasonably request.

**C. Government Approvals.** The Borrower shall have furnished to CFC true and correct copies of all certificates, authorizations, consents, permits and licenses from Governmental Authorities necessary for the execution or delivery of the Loan Documents or performance by the Borrower of the obligations thereunder.

**D. Representations and Warranties.** The representations and warranties contained in Article II shall be true on the date of the making of each Advance hereunder with the same effect as though such representations and warranties had been made on such date; no Event of Default and no event which, with the lapse of time or the notice and lapse of time would become such an Event of Default, shall have occurred and be continuing or will have occurred after giving effect to each Advance on the books of the Borrower; there shall have occurred no material adverse change in the business or condition, financial or otherwise, of the Borrower; and nothing shall have occurred which in the opinion of CFC materially and adversely affects the Borrower's ability to perform its obligations hereunder.

**E. Mortgage Recordation.** The Mortgage (and any amendments, supplements or restatements as CFC may require from time to time) shall have been duly filed, recorded or indexed in all jurisdictions necessary (and in any other jurisdiction that CFC shall have reasonably requested) to provide CFC a lien, subject to Permitted Encumbrances, on all of the Borrower's real property, all in accordance with applicable law, and the Borrower shall have paid all applicable taxes, recording and filing fees and caused satisfactory evidence thereof to be furnished to CFC.

**F. UCC Filings.** Uniform Commercial Code financing statements (and any continuation statements and other amendments thereto that CFC shall require from time to time) shall have been duly filed, recorded or indexed in all jurisdictions necessary (and in any other jurisdiction that CFC

shall have reasonably requested) to provide CFC a perfected security interest, subject to Permitted Encumbrances, in the Mortgaged Property which may be perfected by the filing of a financing statement, all in accordance with applicable law, and the Borrower shall have paid all applicable taxes, recording and filing fees and caused satisfactory evidence thereof to be furnished to CFC.

G. **Requisitions.** The Borrower will requisition each Advance by submitting its written requisition to CFC in the form attached as Exhibit A hereto. Requisitions for Advances shall be made only for the purposes set forth in Schedule 1 hereto.

H. **Other Information.** The Borrower shall have furnished such other information as CFC may reasonably require, including but not limited to (i) information regarding the specific purpose for an Advance and the use thereof, (ii) feasibility studies, cash flow projections, financial analyses and pro forma financial statements sufficient to demonstrate to CFC's reasonable satisfaction that after giving effect to the Advance requested, the Borrower shall continue to achieve the DSC ratio set forth in Section 5.01.A herein, to meet all of its debt service obligations, and otherwise to perform and to comply with all other covenants and conditions set forth in this Agreement, and (iii) any other information as CFC may reasonably request. CFC's obligation to make any Advance hereunder is conditioned upon prior receipt and approval of the Borrower's written requisition and other information and documentation, if any, as CFC may have requested pursuant to this paragraph.

I. **Issuance of Bonds.** CFC shall have issued CREBs in an amount not less than the CFC Commitment.

J. **CREB Allocation.** CFC shall have received an allocation in the amount of the CFC Commitment from the U.S. Department of Treasury for the Borrower's Project under its Securities program.

K. **Tax Credit Ineligibility.** There shall have occurred no Determination of Tax Credit Ineligibility with regard to the Borrower or the Project.

L. **Bring Down Certificate.** Two (2) Business Days prior to the Closing Date, the Borrower shall furnish CFC with a certificate of an Authorized Officer of the Borrower in the form of Exhibit B hereto, certifying that all of the representations and warranties set forth in Article II hereof are true on the Closing Date.

## ARTICLE V

## COVENANTS

**Section 5.01 Affirmative Covenants.** The Borrower covenants and agrees with CFC that until payment in full of the Note and performance of all obligations of the Borrower hereunder:

A. **Financial Ratios; Design of Rates.** The Borrower shall achieve an Average DSC Ratio of not less than 1.35. The Borrower shall not decrease its rates for electric service if it has failed to achieve a DSC Ratio of 1.35 for the calendar year prior to such reduction subject only to an order from a Governmental Authority properly exercising jurisdiction over the Borrower.

B. **Loan Proceeds.** The Borrower shall use the proceeds of this Loan solely for the purposes identified on Schedule 1 hereto.

C. **Notice.** The Borrower shall promptly notify CFC in writing of:

(i) any material adverse change in the business, operations, prospects, assets, liabilities or financial condition of the Borrower;

(ii) the institution or threat of any litigation or administrative proceeding of any nature involving the Borrower which could materially affect the business, operations, prospects, assets, liabilities or financial condition of the Borrower;

(iii) the occurrence of an Event of Default hereunder, or any event that, with the giving of notice or lapse of time, or both, would constitute an Event of Default.

D. **Default Notices.** Upon receipt of any notices with respect to a default by the Borrower under the terms of any evidence of any indebtedness with parties other than CFC or of any loan agreement, mortgage or other agreement relating thereto, the Borrower shall deliver copies of such notice to CFC.

E. **Annual Certificates.**

(i) Within one hundred twenty (120) days after the close of each calendar year, commencing with the year in which the initial Advance hereunder shall have been made, the Borrower will deliver to CFC a written statement, in form and substance satisfactory to CFC, signed by the Borrower's General Manager or Chief Executive Officer, stating that during such year, and that to the best of said person's knowledge, the Borrower has fulfilled all of its obligations under this Agreement, the Project Agreement, the Note, and the Mortgage throughout such year or, if there has been a default in the fulfillment of any such obligations, specifying each such default known to said person and the nature and status thereof.

(ii) The Borrower shall deliver to CFC within one hundred twenty (120) days of CFC's written request, which shall be no more frequently than once every year, a certification, in form and substance satisfactory to CFC, regarding the condition of the Mortgaged Property prepared by a professional engineer satisfactory to CFC. The Borrower shall also deliver to CFC such other information as CFC may reasonably request from time to time.

F. **Loan Capital Term Certificate Purchase.** The Borrower will purchase LCTCs, if required, in an amount calculated pursuant to CFC's policies of general application and shall pay for such LCTCs as required thereby. CFC's policies with respect to such LCTCs are set forth in Schedule 1.

G. **Financial Books; Financial Reports; Right of Inspection.** The Borrower will at all times keep, and safely preserve, proper books, records and accounts in which full and true entries will be made of all of the dealings, business and affairs of the Borrower, in accordance with Accounting Requirements. When requested by CFC, the Borrower will prepare and furnish CFC from time to time, periodic financial and statistical reports on its condition and operations. All of such reports shall be in such form and include such information as may be specified by CFC. Within one hundred twenty (120) days of the end of each calendar year during the term hereof, the Borrower shall furnish to CFC a full and complete report of its financial condition and statement of its operations as of the end of such calendar year, in form and substance satisfactory to CFC. In addition, within one hundred twenty (120) days of the end of each the Borrower's fiscal years during the term hereof, the Borrower shall furnish to CFC a full and complete consolidated and consolidating report of its financial condition and statement of its operations as of the end of such fiscal year,

audited and certified by independent certified public accountants nationally recognized or otherwise satisfactory to CFC and accompanied by a report of such audit in form and substance satisfactory to CFC, including without limitation a consolidated and consolidating balance sheet and the related consolidated and consolidating statements of income and cash flow. CFC, through its representatives, shall at all times during reasonable business hours and upon prior notice have access to, and the right to inspect and make copies of, any or all books, records and accounts, and any or all invoices, contracts, leases, payrolls, canceled checks, statements and other documents and papers of every kind belonging to or in the possession of the Borrower or in anyway pertaining to its property or business.

H. **Notice of Additional Secured Debt.** The Borrower will notify CFC promptly in writing if it incurs any additional secured indebtedness other than indebtedness to CFC or indebtedness otherwise provided for in the Mortgage.

I. **Funds Requisition.** The Borrower agrees (i) that CFC may rely conclusively upon the written instructions submitted to CFC in the Borrower's written request for an Advance hereunder, (ii) that such instructions shall constitute a covenant under this Agreement to repay the Advance in accordance with such instructions, the applicable Note, the Mortgage, the Project Agreement and this Agreement, and (iii) to request Advances only for the purposes set forth in Schedule 1 hereto.

J. **Compliance With Laws.** The Borrower and each Subsidiary shall remain in compliance, in all material respects, with all applicable requirements of law and applicable rules and regulations of each Governmental Authority.

K. **Taxes.** The Borrower shall pay, or cause to be paid all taxes, assessments or governmental charges lawfully levied or imposed on or against it and its properties prior to the time they become delinquent, except for any taxes, assessments or charges that are being contested in good faith and with respect to which adequate reserves as determined in good faith by the Borrower have been established and are being maintained.

L. **Further Assurances.** The Borrower shall execute any and all further documents, financing statements, agreements and instruments, and take all such further actions (including the filing and recording of financing statements, fixture filings, mortgages, deeds of trust and other documents), which may be required under any applicable law, or which CFC may reasonably request, to effectuate the transactions contemplated by the Loan Documents or to grant, preserve, protect or perfect the Liens created or intended to be created thereby. The Borrower also agrees to provide to CFC, from time to time upon request, evidence reasonably satisfactory to CFC as to the perfection and priority of the Liens created or intended to be created by the Loan Documents.

M. **Environmental Covenants.** Borrower shall:

(i) at its own cost, comply in all material respects with all applicable Environmental Laws, including, but not limited to, any required remediation; and

(ii) if it receives any written communication alleging Borrower's violation of any Environmental Law, provide CFC with a copy thereof within ten (10) Business Days after receipt, and promptly take appropriate action to remedy, cure, defend, or otherwise affirmatively respond to the matter.

N. **Limitations on Loans, Investments and Other Obligations.** The aggregate amount of all purchases, investments, loans, guarantees, commitments and other obligations described in

Section 5.02.D(i) of this Agreement shall at all times be less than fifteen percent (15%) of Total Utility Plant or fifty percent (50%) of Equity, whichever is greater.

**O. Tax Status of the CREBs.** The Borrower shall utilize the Project or cause it to be utilized as provided in the Project Agreement until the CREB Maturity Date. No use will be made of the proceeds of the CREBs other than as set forth herein and in the Project Agreement and no changes will be made in the Project or in the operation or beneficial use thereof (including, without limiting the generality of the foregoing, the use of the Project by the Borrower or any related person) without an opinion of Bond Counsel that such a use or change will not adversely affect the eligibility of the CREBs to qualify for a tax credit for the owner thereof, for federal income tax purposes. The Borrower agrees and warrants that it will not take or authorize or permit any action to be taken and has not taken or authorized or permitted any action to be taken and will not fail to take any action to comply with the Project Agreement which adversely affects the eligibility of the CREBs to qualify for a tax credit for the owner thereof, for federal income tax purposes. This agreement and warranty shall survive the termination of this Agreement.

**P. Completion Certificate.** The Borrower shall submit to CFC within 30 days after the completion of the Project, a Completion Certificate signed by an Authorized Officer of the Borrower.

**Q. Termination Certificate.** If the Borrower determines that the Project will not be completed as described in Section 5.01.P above, then the Borrower shall submit to CFC a Termination Certificate, within 30 days of a determination that:

(i) no further acquisition, construction or installation will occur with respect to the Project; and

(ii) the Borrower does not intend to make any further Advances.

**R. Other Information.** The Borrower shall furnish such other information as CFC may reasonably require relating to the Project.

**Section 5.02 Negative Covenants.** The Borrower covenants and agrees with CFC that until payment in full of the Note and performance of all obligations of the Borrower hereunder, the Borrower will not, directly or indirectly, without CFC's prior written consent:

**A. Limitations on Mergers.** Consolidate with, merge, or sell all or substantially all of its business or assets, or enter into an agreement for such consolidation, merger or sale, to another entity or person unless such action is either approved, as is evidenced by the prior written consent of CFC, or the purchaser, successor or resulting corporation is or becomes a member in good standing of CFC and assumes the due and punctual payment of the Note and the due and punctual performance of the covenants contained in the Mortgage and this Agreement.

**B. Limitations on Sale, Lease or Transfer of Capital Assets; Application of Proceeds.** Sell, lease or transfer (or enter into an agreement to sell, lease or transfer) any capital asset, except in accordance with this Section 5.02.B. If no Event of Default (and no event which with notice or lapse of time and notice would become an Event of Default) shall have occurred and be continuing, the Borrower may, without the prior written consent of CFC, sell, lease or transfer (or enter into an agreement to sell, lease or transfer) any capital asset in exchange for fair market value consideration paid to the Borrower if the value of such capital asset is less than five percent (5%) of Total Utility Plant and the aggregate value of capital assets sold, leased or transferred in any 12-month period is less than ten percent (10%) of Total Utility Plant.

**C. Limitation on Dividends, Patronage Refunds and Other Distributions.**

(i) Make Distributions in any calendar year if, after giving effect to the Distribution, the total Equity of the Borrower will be less than twenty percent (20%) of its Total Assets.

(ii) If, after giving effect to the Distribution, the total Equity of the Borrower will be less than twenty percent (20%) of its Total Assets, then the Borrower may nevertheless make Distributions of up to thirty percent (30%) of its total margins for the preceding calendar year.

(iii) Notwithstanding anything to the contrary in subparagraphs (i) and (ii) above, the Borrower shall not make any Distribution without the prior written consent of CFC if an Event of Default under this Agreement has occurred and is continuing.

**D. Limitations on Loans, Investments and Other Obligations.**

(i) (a) Purchase, or make any commitment to purchase, any stock, bonds, notes, debentures, or other securities or obligations of or beneficial interests in, (b) make, or enter into a commitment to make, any other investment, monetary or otherwise, in, (c) make, or enter into a commitment to make, any loan to, or (d) guarantee, assume, or otherwise become liable for, or enter into a commitment to guarantee, assume, or otherwise become liable for, any obligation of any Person if, after giving effect to such purchase, investment, loan, guarantee or commitment, the aggregate amount thereof would exceed the greater of fifteen percent (15%) of Total Utility Plant or fifty percent (50%) of Equity.

(ii) The following shall not be included in the limitation of purchases, investments, loans and guarantees in (i) above: (a) bonds, notes, debentures, stock, or other securities or obligations issued by or guaranteed by the United States or any agency or instrumentality thereof; (b) bonds, notes, debentures, stock, commercial paper, subordinated capital certificates, or any other security or obligation issued by CFC or by institutions whose senior unsecured debt obligations are rated by at least two nationally recognized rating organizations in either of their two highest categories; (c) investments incidental to loans made by CFC; (d) any deposit that is fully insured by the United States; (e) loans and grants made by any Governmental Authority to the Borrower under any rural economic development program, but only to the extent that such loans and grants are non-recourse to the Borrower; and (f) unretired patronage capital allocated to the Borrower by CFC, a cooperative from which the Borrower purchases electric power, or a statewide cooperative association of which Borrower is a member.

(iii) In no event may the Borrower take any action pursuant to subsection (i) if an Event of Default under this Agreement has occurred and is continuing,

**E. Organizational Change.** Change its type of organization or other legal structure, except as permitted by Section 5.02.A. hereof, in which case the Borrower shall provide at least 30 days prior written notice to CFC together with all documentation reflecting such change as CFC may reasonably require.

**F. Notice of Change in Borrower Information.** Change its (i) state of incorporation, (ii) legal name, (iii) mailing address, or (iv) organizational identification number, if it has one, unless the Borrower provides written notice to CFC at least thirty (30) days prior to the effective date of any such change together with all documentation reflecting any such change as CFC may reasonably require.

## ARTICLE VI

## EVENTS OF DEFAULT

**Section 6.01** The following shall be "Events of Default" under this Agreement:

**A. Representations and Warranties.** Any representation or warranty made by the Borrower herein, or in any of the other Loan Documents, or in any certificate or financial statement furnished to CFC hereunder or under any of the other Loan Documents shall prove to be false or misleading in any material respect.

**B. Payment.** The Borrower shall fail to pay (whether upon stated maturity, by acceleration, or otherwise) any principal, interest, premium (if any) or other amount payable under the Note and the Loan Documents within five (5) Business Days after the due date thereof.

**C. Other Covenants.**

**(i) No Grace Period.** Failure of the Borrower to observe or perform any covenant or agreement contained in the Project Agreement or in Sections 5.01.A, 5.01.B, 5.01.D, 5.01.E, 5.01.G, 5.01.I, 5.01.N, 5.01.O and 5.02 of this Agreement.

**(ii) Thirty Day Grace Period.** Failure of the Borrower to observe or perform any other covenant or agreement contained in this Agreement or any of the other Loan Documents, which shall remain unremedied for thirty (30) calendar days after written notice thereof shall have been given to the Borrower by CFC.

**D. Legal Existence, Permits and Licenses.** The Borrower shall forfeit or otherwise be deprived of (i) its authority to conduct business in the jurisdiction in which it is organized or in any other jurisdiction where such authority is required in order for the Borrower to conduct its business in such jurisdiction or (ii) permits, easements, consents or licenses required to carry on any material portion of its business.

**E. Other CFC Obligations.** The Borrower shall be in breach or default of any Obligation, which breach or default continues uncured beyond the expiration of any applicable grace period.

**F. Other Obligations.** The Borrower shall (i) fail to make any payment of any principal, premium or any other amount due or interest on any indebtedness with parties other than CFC which shall remain unpaid beyond the expiration of any applicable grace period, or (ii) be in breach or default with respect to any other term of any evidence of any other indebtedness with parties other than CFC or of any loan agreement, mortgage or other agreement relating thereto which breach or default continues uncured beyond the expiration of any applicable grace period, if the effect of such failure, default or breach is to cause the holder or holders of that indebtedness to cause that indebtedness to become or be declared due prior to its stated maturity (upon the giving or receiving of notice, lapse of time, both or otherwise).

**G. Involuntary Bankruptcy.** An involuntary case or other proceeding shall be commenced against the Borrower seeking liquidation, reorganization or other relief with respect to it or its debts under bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property and such involuntary case or other proceeding shall continue without dismissal or

stay for a period of sixty (60) days; or an order for relief shall be entered against the Borrower under the federal bankruptcy laws or applicable state law as now or hereafter in effect.

**H. Insolvency.** The Borrower shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall admit in writing its inability to, or be generally unable to, pay its debts as they become due, or shall take any action to authorize any of the foregoing.

**I. Dissolution or Liquidation.** Other than as provided in subsection H. above, the dissolution or liquidation of the Borrower, or failure by the Borrower promptly to forestall or remove any execution, garnishment or attachment of such consequence as will impair its ability to continue its business or fulfill its obligations and such execution, garnishment or attachment shall not be vacated within sixty (60) days. The term "dissolution or liquidation of the Borrower", as used in this subsection, shall not be construed to include the cessation of the corporate existence of the Borrower resulting either from a merger or consolidation of the Borrower into or with another corporation following a transfer of all or substantially all its assets as an entirety, under the conditions set forth in Section 5.02.A.

**J. Material Adverse Change.** Any material adverse change in the business or condition, financial or otherwise, of the Borrower.

**K. Monetary Judgment.** The Borrower shall suffer any money judgment not covered by insurance, writ or warrant of attachment or similar process involving an amount in excess of $100,000 and shall not discharge, vacate, bond or stay the same within a period of sixty (60) days.

**L. Nonmonetary Judgment.** One or more nonmonetary judgments or orders (including, without limitation, injunctions, writs or warrants of attachment, garnishment, execution, distraint, replevin or similar process) shall be rendered against the Borrower that, either individually or in the aggregate, could reasonably be expected to have a material adverse effect upon the business, operations, prospects, assets, liabilities or financial condition of the Borrower.

## ARTICLE VII

## REMEDIES

**Section 7.01** If any of the Events of Default listed in Section 6 hereof shall occur after the date of this Agreement and shall not have been remedied within the applicable grace periods specified therein, then CFC may:

(i) Cease making Advances hereunder;

(ii) Declare all unpaid principal outstanding on the Note, all accrued and unpaid interest thereon, and all other Obligations to be immediately due and payable and the same shall thereupon become immediately due and payable without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived;

(iii) Exercise rights of setoff or recoupment and apply any and all amounts held, or hereby held, by CFC or owed to the Borrower or for the credit or account of the Borrower against any and all of the Obligations of the Borrower now or hereafter existing hereunder or under the Note, including, but not limited to, patronage capital allocations and retirements, money due to Borrower from equity certificates purchased from CFC, and any membership or other fees that would otherwise be returned to Borrower but excluding any LCTCs purchased by the Borrower pursuant to this Agreement. The rights of CFC under this section are in addition to any other rights and remedies (including other rights of setoff or recoupment) which CFC may have. The Borrower waives all rights of setoff, deduction, recoupment or counterclaim;

(iv) Pursue all rights and remedies available to CFC that are contemplated by the Mortgage and the other Loan Documents in the manner, upon the conditions, and with the effect provided in the Mortgage and the other Loan Documents, including, but not limited to, a suit for specific performance, injunctive relief or damages;

(v) Pursue any other rights and remedies available to CFC at law or in equity.

Nothing herein shall limit the right of CFC to pursue all rights and remedies available to a creditor following the occurrence of an Event of Default. Each right, power and remedy of CFC shall be cumulative and concurrent, and recourse to one or more rights or remedies shall not constitute a waiver of any other right, power or remedy.

## ARTICLE VIII

## MISCELLANEOUS

**Section 8.01 Notices.** All notices, requests and other communications provided for herein including, without limitation, any modifications of, or waivers, requests or consents under, this Agreement shall be given or made in writing (including, without limitation, by telecopy) and delivered to the intended recipient at the "Address for Notices" specified below; or, as to any party, at such other address as shall be designated by such party in a notice to each other party. All such communications shall be deemed to have been duly given (i) when personally delivered including, without limitation, by overnight mail or courier service, (ii) in the case of notice by United States mail, certified or registered, postage prepaid, return receipt requested, upon receipt thereof, or (iii) in the case of notice by telecopy, upon transmission thereof, provided such transmission is promptly confirmed by either of the methods set forth in clauses (i) or (ii) above in each case given or addressed as provided for herein. The Address for Notices of each of the respective parties is as follows:

National Rural Utilities Cooperative Finance Corporation
2201 Cooperative Way
Herndon, Virginia 20171-3025
Attention: Senior Vice President – Member Services
Fax # 703-709-6776

The Borrower:

The address set forth in
Schedule 1 hereto

**Section 8.02 Expenses.** Borrower shall reimburse CFC for any reasonable costs and out-of-pocket expenses paid or incurred by CFC (including, without limitation, reasonable fees and expenses of outside attorneys, paralegals and consultants) for all actions CFC takes, (a) to enforce the payment of any Obligation, to effect collection of any Mortgaged Property, or in preparation for such enforcement or collection, (b) to institute, maintain, preserve, enforce and foreclose on CFC's security interest in or Lien on any of the Mortgaged Property, whether through judicial proceedings or otherwise, (c) to restructure any of the Obligations, (d) to review, approve or grant any consents or waivers hereunder, (e) to prepare, negotiate, execute, deliver, review, amend or modify this Agreement, (f) to prepare, negotiate, execute, deliver, review, amend or modify any other agreements, documents and instruments deemed necessary or appropriate by CFC in connection with any of the foregoing, and (g) to obtain any opinions required to be furnished upon a Determination of Tax Credit Ineligibility and an extraordinary prepayment as set forth in Section 3.04 hereof or a rescission of excess money as set forth in Section 3.05 or a cancellation of excess moneys as set forth in Section 3.06.

The amount of all such expenses identified in this Section 8.02 shall be secured by the Mortgage and shall be payable upon demand, and if not paid, shall accrue interest at the Default Rate.

**Section 8.03 Late Payments.** If payment of any amount due hereunder is not received at CFC's office in Herndon, Virginia, or such other location as CFC may designate to the Borrower within five (5) Business Days after the due date thereof, the Borrower will pay to CFC, in addition to all other amounts due under the terms of the Loan Documents, any late payment charge as may be fixed by CFC from time to time pursuant to its policies of general application as in effect from time to time.

**Section 8.04. Non-Business Day Payments.** If any payment to be made by the Borrower hereunder shall become due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall be included in computing any interest in respect of such payment.

**Section 8.05 Filing Fees.** To the extent permitted by law, the Borrower agrees to pay all expenses of CFC (including the reasonable fees and expenses of its counsel) in connection with the filing, registration, recordation or perfection of the Mortgage and any other security instruments as may be required by CFC in connection with this Agreement, including, without limitation, all documentary stamps, recordation and transfer taxes and other costs and taxes incident to execution, filing, registration or recordation of any document or instrument in connection herewith. The Borrower agrees to save harmless and indemnify CFC from and against any liability resulting from the failure to pay any required documentary stamps, recordation and transfer taxes, recording costs, or any other expenses incurred by CFC in connection with this Agreement. The provisions of this subsection shall survive the execution and delivery of this Agreement and the payment of all other amounts due under the Loan Documents.

**Section 8.06 Waiver; Modification.** No failure on the part of CFC to exercise, and no delay in exercising, any right or power hereunder or under the other Loan Documents shall operate as a waiver thereof, nor shall any single or partial exercise by CFC of any right hereunder, or any abandonment or discontinuance of steps to enforce such right or power, preclude any other or further exercise thereof or the exercise of any other right or power. No modification or waiver of any provision of this Agreement, the Note or the other Loan Documents and no consent to any departure by the Borrower therefrom shall in any event be effective unless the same shall be in writing by the

party granting such modification, waiver or consent, and then such modification, waiver or consent shall be effective only in the specific instance and for the purpose for which given.

**SECTION 8.07 GOVERNING LAW; SUBMISSION TO JURISDICTION; WAIVER OF JURY TRIAL.**

(A) THE PERFORMANCE AND CONSTRUCTION OF THIS AGREEMENT AND THE NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE COMMONWEALTH OF VIRGINIA.

(B) THE BORROWER HEREBY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF THE UNITED STATES COURTS LOCATED IN VIRGINIA AND OF ANY STATE COURT SO LOCATED FOR PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. THE BORROWER IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTIONS THAT IT MAY NOW OR HEREAFTER HAVE TO THE ESTABLISHING OF THE VENUE OF ANY SUCH PROCEEDINGS BROUGHT IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

(C) THE BORROWER AND CFC EACH HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

**SECTION 8.08 INDEMNIFICATION.** THE BORROWER HEREBY INDEMNIFIES AND AGREES TO HOLD HARMLESS, AND DEFEND CFC AND ITS MEMBERS, DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, ATTORNEYS AND REPRESENTATIVES (EACH AN "INDEMNITEE") FOR, FROM, AND AGAINST ALL CLAIMS, DAMAGES, LOSSES, LIABILITIES, COSTS, AND EXPENSES (INCLUDING, WITHOUT LIMITATION, COSTS AND EXPENSES OF LITIGATION AND REASONABLE ATTORNEYS' FEES) ARISING FROM ANY CLAIM OR DEMAND IN RESPECT OF THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS, THE MORTGAGED PROPERTY, OR THE TRANSACTIONS DESCRIBED IN THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS AND ARISING AT ANY TIME, WHETHER BEFORE OR AFTER PAYMENT AND PERFORMANCE OF ALL OBLIGATIONS UNDER THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS IN FULL, EXCEPTING ANY SUCH MATTERS ARISING SOLELY FROM THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF CFC OR ANY INDEMNITEE INCLUDING WITHOUT LIMITATION ANY DETERMINATION MADE OR OTHER ACTION TAKEN BY CFC PURSUANT TO SECTIONS 3.04, 3.05 and 3.06 OF THIS AGREEMENT. NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN SECTION 8.10 HEREOF, THE OBLIGATIONS IMPOSED UPON THE BORROWER BY THIS SECTION SHALL SURVIVE THE REPAYMENT OF THE NOTE, THE TERMINATION OF THIS AGREEMENT AND THE TERMINATION OR RELEASE OF THE LIEN OF THE MORTGAGE.

**Section 8.09 Complete Agreement.** This Agreement, together with the schedules to this Agreement, the Note and the other Loan Documents, and the other agreements and matters referred to herein or by their terms referring hereto, is intended by the parties as a final expression of their agreement and is intended as a complete statement of the terms and conditions of their agreement. In the event of any conflict in the terms and provisions of this Agreement and any other Loan Documents, the terms and provisions of this Agreement shall control.

**Section 8.10 Survival; Successors and Assigns.** All covenants, agreements, representations and warranties of the Borrower which are contained in this Agreement shall survive the execution and delivery to CFC of the Loan Documents and the making of the Loan hereunder and shall continue in full force and effect until all of the obligations under the Loan Documents have been paid in full. All covenants, agreements, representations and warranties of the Borrower which are contained in this Agreement shall inure to the benefit of the successors and assigns of CFC. The Borrower shall not have the right to assign its rights or obligations under this Agreement without the prior written consent of CFC, except as provided in Section 5.02.A hereof.

**Section 8.11 Use of Terms.** The use of the singular herein shall also refer to the plural, and vice versa.

**Section 8.12 Headings.** The headings and sub-headings contained in this Agreement are intended to be used for convenience only and do not constitute part of this Agreement.

**Section 8.13 Severability.** If any term, provision or condition, or any part thereof, of this Agreement, the Note or the other Loan Documents shall for any reason be found or held invalid or unenforceable by any governmental agency or court of competent jurisdiction, such invalidity or unenforceability shall not affect the remainder of such term, provision or condition nor any other term, provision or condition, and this Agreement, the Note and the other Loan Documents shall survive and be construed as if such invalid or unenforceable term, provision or condition had not been contained therein.

**Section 8.14 Binding Effect.** This Agreement shall become effective when it shall have been executed by both the Borrower and CFC and thereafter shall be binding upon and inure to the benefit of the Borrower and CFC and their respective successors and assigns.

**Section 8.15 Counterparts.** This Agreement may be executed in one or more counterparts, each of which will be deemed an original and all of which together will constitute one and the same document. Signature pages may be detached from the counterparts and attached to a single copy of this Agreement to physically form one document.

**Section 8.16 Disclosure.** This Agreement and any other Loan Document may be shared by CFC with such Persons as shall be required in order to facilitate the issuance of the CREBs, including, but not limited to, its attorneys, underwriters and investors in the CREBs.

**Section 8.17 Schedule 1.** Schedule 1 attached hereto is an integral part of this Agreement.

**IN WITNESS WHEREOF,** the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

SULPHUR SPRINGS VALLEY
ELECTRIC COOPERATIVE, INC.

(SEAL)

By: Gene Manning

Title: President

Attest: _____
~~Secretary~~

CREDEN W. HUBER
CHIEF EXECUTIVE OFFICER

NATIONAL RURAL UTILITIES
COOPERATIVE FINANCE CORPORATION

(SEAL)

By: Marianne Dusold
Assistant Secretary-Treasurer

**MARIANNE L DUSOLD**

Attest: _____
Assistant Secretary-Treasurer

**AMY S LUONGO**

## SCHEDULE 1

1. The purpose of this loan is to finance (i) the reimbursement of the cost of the Project of the Borrower, including any reasonable costs and expenses incurred by the Borrower in connection with financing the Project, as described and permitted by the terms of the Project Agreement and (ii) a portion of CFC's costs in issuing the CREBs as set forth in Section 3.02.A.

2. The Project of the Borrower being financed by the Loan (funded by proceeds of the CREBs) constitutes the following clean renewable energy facilities:

   Cochise College Solar Automobile Parking Shade Structure

   This project will place photovoltaic modules costing $280,000 each, that will produce 23 kW of electricity in the shade structures in the three Cochise College schools. The PV structure will provide electricity to the respective school with excess power flowing to the Borrower's system.

3. Subject to the terms of this Agreement, CFC has agreed to loan to the Borrower from proceeds of the CREBs, an amount not to exceed $840,000.00 (the "CFC Commitment").

4. Draw Period shall mean the period beginning on the Closing Date and ending on the date that is five (5) years thereafter.

5. The Borrower shall not purchase the LCTCs or any portion thereof with funds from the Loan. The Borrower shall use its own funds or funds borrowed under another credit facility to purchase such LCTCs, subject to the CFC policies regarding LCTCs set forth in the following paragraph.

   **CFC Policies Regarding LCTCs:** (i) Any solvent Member of CFC with an outstanding LCTC purchased in connection with a loan from the proceeds of Securities may borrow the outstanding amount of the LCTC from CFC without a further credit review, for a term equal to or shorter than the maturity of the LCTC at a rate equal to the comparable rate charged by CFC for similarly classified loans; and (ii) any Member of CFC with an outstanding LCTC purchased in connection with a loan from the proceeds of Securities may sell such LCTC to another Member of CFC for consideration.

6. The Mortgage shall mean the Restated Mortgage and Security Agreement, dated as of December 6, 2007, between the Borrower and CFC, as it may have been supplemented, amended, consolidated, or restated from time to time.

7. The Note executed pursuant hereto is as follows:

| LOAN NUMBER | AMOUNT |
|---|---|
| AZ014-A-9035-CB001 | $840,000.00 |

8. The Subsidiaries of the Borrower referred to in Section 2.01.B. are: None

9. The date of the Borrower's balance sheet referred to in Section 2.01.H is June 30, 2006.

10. The Borrower's exact legal name is: Sulphur Springs Valley Electric Cooperative, Inc.

11. The Borrower's organizational type is: Corporation

12. The Borrower is organized under the laws of the state of: Arizona

13. The Borrower's organizational identification number is: 0038220-2

14. The place of business or, if more than one, the chief executive office of the Borrower referred to in Section 2.01.I is 311 East Wilcox, Sierra Vista, Arizona 85635.

15. The Governmental Authority referred to in Section 2.01.J. is: Arizona Corporation Commission

16. The address for notices to the Borrower referred to in Section 8.01 is 311 East Wilcox, Sierra Vista, Arizona 85635, Attention: General Manager, Fax: (520) 384-5223.

## Exhibit A - Funds Requisition Statement

Borrower Name & ID: Sulphur Springs Valley Electric Cooperative, Inc. (AZ014)
Loan Number: AZ014-A-9035-CB001
Loan Agreement and Project Agreement with CFC dated:
CREBs Series: 2008A
CFC CREBs Application #: 5
Name of Project: Cochise College Solar Automobile Parking Shade Structure
Funds Requisition Statement No.:

**Amount Requested:**
**Date Of Advance:**

**Disposition of Funds (wiring instructions):**

### Certification

Acting on behalf of the Borrower, I hereby certify that as of the date below: (1) I am duly authorized to make this certification and to request funds on the terms specified herein; (2) the Borrower has met all of the conditions contained in the Loan Agreement and the Project Agreement listed above governing the terms of this Advance that the Borrower is required to meet prior to an Advance of funds; (3) all of the representations and warranties contained in said Loan Agreement and Project Agreement are true and will continue to be true upon use of the funds as hereby requested; (4) no Event of Default, under the Loan Agreement or the Borrower's Mortgage, has occurred and is continuing; (5) I know of no other event that has occurred which, with the lapse of time and/or notification to CFC of such event, or after giving effect to this Advance, would become an Event of Default under the Loan Agreement or the Borrower's Mortgage; (6) the funds requested herein will be used only as a reimbursement for the purposes specified in the Loan Agreement and the Project Agreement; (7) the costs to be reimbursed by the funds requested herein are capital expenditures and have not previously been reimbursed under a previous Funds Requisition Statement; (8) the Borrower has secured sufficient funds to complete the Project; (9) any necessary permits and approvals required for the Project at this point have been obtained; (10) the Borrower is maintaining a file containing true and correct copies of invoices or bills of sale covering all items for which payment is sought by this request; (11) such costs have been incurred and paid by the Borrower in connection with the Project; (12) the Borrower is not using the funds requested hereby to make any payments of principal or interest due under the Loan Agreement; (13) no expenditure which is being reimbursed by the funds requested hereby was paid more than eighteen months after the later of (i) the date the expenditure is paid or (ii) the date the Project is placed in service, but in no event later than three years after the date the original expenditure was paid; and (14) set forth below is a table listing all of the major components of the Project, how much is being requested in this Funds Requisition Statement as an advance for certain components, how much has been advanced on each component to date, the percentage of each component that is completed

to date, and the purpose of the advance(s) being requested by this Funds Requisition Statement.

I hereby authorize CFC, for and on behalf of the Borrower, to forward this Funds Requisition Statement to the Trustee for disbursement of the Advance from the Project Account relating to the above Loan to the Borrower on the following terms, and hereby acknowledge and agree that such terms shall be binding upon Borrower under the provisions of the Loan Agreement governing this Advance:

| Project Component | Amount Expended to Date by Borrower | Amount Advanced to Date | Advance Amount Requested Herein | Percentage Complete |
|---|---|---|---|---|
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| Total | | | | |

Certified By:

_____ _____ _____

Signature Date Title of Authorized Officer

**PLEASE FAX TO 703-709-6776 ATTN: _____, Associate Vice President**

APPROVED:

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION

By: _____
Title: _____
Date: _____

**EXHIBIT B**

**BRING-DOWN CERTIFICATE**
**OF**
**BORROWER**

The undersigned, _____, duly qualified officers of SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (the *"Borrower"*), an Arizona corporation, hereby certify as follows:

1. The following documents have been duly executed, and delivered or accepted in the name and on behalf of the Borrower by the authorized officer or officers of the Borrower pursuant to, and in full compliance with, authority granted by the Board of Trustees/Directors of the Borrower:

| DOCUMENT | DATE | OTHER PARTY OR PARTIES |
|---|---|---|
| Loan Agreement (the *"Agreement"*) | _____, 200_ | National Rural Utilities Cooperative Finance Corporation (*"CFC"*) |
| Project Agreement (the *"Project Agreement"*) | _____, 200_ | |
| Note (the *"Note"*) | _____, 200_ | |

2. Each of the representations and warranties of the Borrower in the Loan Agreement and the Project Agreement are true and correct on and as of the date hereof (the *"Closing Date"*), and the Borrower has complied with all agreements and satisfied all conditions on its part to be observed or satisfied thereunder at or prior to the Closing Date.

IN WITNESS WHEREOF, the undersigned have hereunto set their signatures this ____ day of _____, 2008.

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

By _____
Title:

By _____
Title:

**EXHIBIT C**

**COMPLETION CERTIFICATE**
**OF**
**BORROWER**

Pursuant to the Loan Agreement dated as of _____ by and between SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (the "Borrower") and National Rural Utilities Cooperative Finance Corporation ("CFC") relating to CFC Loan Number AZ014-A-9035-CB001 (the "Loan Agreement"), the undersigned, _____, duly qualified officer of the Borrower, hereby certifies as follows:

(i) On [date of completion] all portions of the Project (as defined in the Loan Agreement) have been fully completed substantially in accordance with any plans and specifications therefore, as then amended; and

(ii) Amount advanced on the Loan (as defined in the Loan Agreement) and the use of the property financed, refinanced or reimbursed therefrom will not cause any of the representations or certifications contained in the Project Agreement (as defined in the Loan Agreement) to be untrue or result in a violation of any covenant in the Project Agreement.

IN WITNESS WHEREOF, the undersigned have hereunto set his/her signature this ____ day of _____, 20____.

SULPHUR SPRINGS VALLEY ELECTRIC
COOPERATIVE, INC.

By _____
Title:

**EXHIBIT D**

**TERMINATION CERTIFICATE**
**OF**
**BORROWER**

Pursuant to the Loan Agreement dated as of _____ by and between SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (the "Borrower") and National Rural Utilities Cooperative Finance Corporation ("CFC") relating to CFC Loan Number AZ014-A-9035-CB001 (the "Loan Agreement"), the undersigned, _____, duly qualified officer of the Borrower, hereby certifies as follows:

(i) all portions of the Project (as defined in the Loan Agreement) have not been fully completed substantially in accordance with any plans and specifications therefor, as then amended;

(ii) no further acquisition, construction or installation will occur with respect to the Project (as defined in the Loan Agreement); and

(iii) the Borrower does not intend to request any further Advances (as defined in the Loan Agreement) on the Loan (as defined in the Loan Agreement).

IN WITNESS WHEREOF, the undersigned have hereunto set his/her signature this ____ day of _____, 20____.

SULPHUR SPRINGS VALLEY ELECTRIC
COOPERATIVE, INC.

By _____
Title:

**SECURED PROMISSORY NOTE**

$280,000.00 dated as of 12/21/2007

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC., an Arizona corporation (the "Borrower"), for value received, hereby promises to pay, without setoff, deduction, recoupment or counterclaim, to the order of NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION (the "Payee"), at its office in Herndon, Virginia office or such other location at its office in Herndon, Virginia or such other location as the Payee may designate to the Borrower, in lawful money of the United States, the principal sum of TWO HUNDRED EIGHTY THOUSAND AND 00/100 DOLLARS ($280,000.00), or such lesser sum of the aggregate unpaid principal amount of all advances made by the Payee pursuant to that certain Loan Agreement dated as of even date herewith between the Borrower and the Payee, as it may be amended from time to time (herein called the "Loan Agreement"), and to pay interest on all amounts remaining unpaid hereunder from the date of each advance in like money, at said office, at the rate and in amounts and payable on the dates provided in the Loan Agreement together with any other amount payable under the Loan Agreement. If not sooner paid, any balance of the principal amount and interest accrued thereon shall be due and payable on the Maturity Date.

This Note is secured under a Restated Mortgage and Security Agreement, dated of December 6, 2007 between the Borrower and the Payee, as it may have been or shall be supplemented, amended, consolidated or restated from time to time ("Mortgage"). This Note is one of the Notes referred to in, and has been executed and delivered pursuant to, the Loan Agreement.

The principal hereof and interest accrued thereon and any other amount due under the Loan Agreement may be declared to be forthwith due and payable in the manner, upon the conditions, and with the effect provided in the Mortgage or the Loan Agreement.

The Borrower waives demand, presentment for payment, notice of dishonor, protest, notice of protest, and notice of non-payment of this Note.

IN WITNESS WHEREOF the Borrower has caused this Note to be signed in its corporate name and its corporate seal to be hereunto affixed and to be attested by its duly authorized officers, all as of the day and year first above written.

SULPHUR SPRINGS VALLEY
ELECTRIC COOPERATIVE, INC.

(SEAL)

By: Gene Manning

Title: President

Attest: _____
Secretary

CREDEN W. HUBER
CHIEF EXECUTIVE OFFICER

Loan No. AZ014-A-9036-CB001

**PROJECT AGREEMENT**

**OF**

**SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (THE *"BORROWER"*)**

DATED: as of 12/21/2007

The undersigned is a duly qualified officer of the Borrower named above and, as such officer, is familiar with (i) the properties, affairs and records of the Borrower, (ii) the issuance of the Securities (as hereinafter defined) and the use of the proceeds thereof as it relates to the Borrower and (iii) the Project, as hereinafter defined.

In connection with the issuance of the Clean Renewable Energy Bonds (Cooperative Renewable Energy Projects) Series 2008A (the *"Securities"*), being issued by the National Rural Utilities Cooperative Finance Corporation (the *"Issuer"*), the undersigned hereby certifies and covenants regarding the use of the proceeds of the Securities advanced to the Borrower, as follows:

1. General.

1.1 This Project Agreement is made pursuant to Section 54 of the Internal Revenue Code of 1986, as amended (the *"Code"*), and any United States Treasury regulations and other guidance thereunder to make the certifications required by Section 54 of the Code and any United Stares Treasury regulations and other guidance thereunder and to establish the reasonable expectations of the Borrower with respect to the amount and use of amounts to be advanced to the Borrower pursuant to the Loan Agreement dated as of even date herewith between the Issuer and the Borrower (the *"Loan Agreement"*). Capitalized terms used herein are defined where they first appear or are defined in *Exhibit A* attached hereto.

1.2 This Project Agreement is based on facts and estimates in existence on the date hereof and the continued veracity of these facts and estimates as of the date that the Securities are issued (the *"Closing"*) will be confirmed by the Borrower on the date of Closing, and on the basis of such facts and estimates, the Borrower expects that the events described herein will occur. To the best of the undersigned's knowledge, information, and belief, the expectations contained in this Project Agreement are reasonable.

1.3 The Borrower is a Qualified Borrower, as defined in *Exhibit A,* and is responsible for the acquiring/constructing/equipping of the Project (defined below). The undersigned has reviewed this Project Agreement, as well as the provisions of Section 54 of the Code and any United States Treasury regulations and other guidance thereunder, with its own legal counsel and understands and is familiar with this Project Agreement and the provisions of Section 54 and any United States Treasury regulations and other guidance thereunder. The Borrower will

comply in all respects with the provisions of Section 54 and any United States Treasury regulations and other guidance thereunder.

1.4 The Borrower agrees to keep and retain or cause to be kept and retained sufficient records to demonstrate compliance with the covenants in this Project Agreement. Such records shall include, but are not limited to, basic records relating to the issuance of the Securities (including this Project Agreement and the inducement resolution as described in Section 3.3 hereof); documentation evidencing the expenditure of amounts advanced to the Borrower pursuant to the Loan Agreement; documentation evidencing the use of property financed with amounts advanced to the Borrower pursuant to the Loan Agreement; and documentation evidencing all sources of payment or security maintained by the Borrower for amounts advanced to the Borrower pursuant to the Loan Agreement. Such records shall be kept until the date three (3) years after the CREB Maturity Date.

1.5 Neither the Borrower nor any Related Person (as defined in Exhibit A) to the Borrower will purchase any Securities.

2. Qualified Project.

2.1 The Loan Agreement requires the amounts advanced thereunder to be used for facilities to be owned by the Borrower, described in more detail in Section 2.2 hereof and in *Exhibit B* attached hereto as the "Updated Description of the Project" (the *"Project"*). The Project was originally described in an exhibit to the Application for National Clean Renewable Energy Bond Limitation submitted to the Internal Revenue Service by the Issuer in support of the national clean renewable energy bond allocation received by the Issuer, which "Original Description of the Project" is attached hereto as *Exhibit C*.

2.2 The Project is a Solar Energy Facility (the *"Qualifying Facility"*), as defined in *Exhibit A* and property functionally related and subordinate thereto, as further described in *Exhibit B*, attached hereto.

3. Clean Renewable Energy Bonds Qualification.

3.1 At least 95 percent of the proceeds advanced to the Borrower pursuant to the Loan Agreement will be used by the Borrower for capital expenditures with respect to the Project. None of the proceeds of the Loan (as defined in the Loan Agreement) will be paid to the Issuer, the Borrower or any Related Person to the Issuer or the Borrower, except for amounts paid to the Borrower to reimburse the Borrower for actual and direct expenditures relating to the Project paid by the Borrower to persons other than the Issuer, the Borrower or any Related Person to the Issuer or the Borrower.

3.2 The Borrower has incurred or will, within six months of the Closing Date, incur a substantial binding obligation (not subject to contingencies within the control of the Issuer, the Borrower or any Related Person to either of them) to a third party

to expend at least ten percent of the Loan Amount (*i.e.* the total amount to be advanced to the Borrower pursuant to the Loan Agreement). It is expected that the work of acquiring/constructing/equipping the Project and the expenditure of the Loan Amount will proceed with due diligence through October 6, 2008, at which time it is anticipated that the Loan Amount will have been spent in its entirety. The Borrower acknowledges that, to the extent that less than 95 percent of the Loan Amount is expended by a date five years from the date of issuance of the Securities, the Borrower will be required to prepay its Loan in an amount, and the Issuer will redeem Securities at the end of such five-year period in an amount, necessary to maintain the tax credit with respect to the Securities, unless otherwise permitted by Section 6.5 hereof.

It is expected that all amounts advanced to the Borrower under the Loan Agreement will be spent to pay costs of the Project in accordance with the estimated periodic drawdown schedule contained in *Exhibit D,* attached hereto. The assumptions set forth in this Section 3.2 and on *Exhibit D,* attached hereto, represent the Borrower's best estimate, as of this date, of the periodic drawdown schedule of the Loan Amount.

3.3 The Borrower may use amounts advanced to the Borrower under the Loan Agreement to reimburse itself for expenditures paid prior to the date of issuance of the Securities. The Borrower shall reimburse itself for expenditures paid prior to the date of issuance of the Securities only if such expenditure was paid after the Borrower adopted an inducement resolution, and the expenditure is described in such inducement resolution.

**The Borrower shall use proceeds of the Loan to reimburse itself for expenditures paid prior to the date the Securities were issued only if such reimbursement is made within eighteen months after the later of (i) the date the expenditure is paid or (ii) the date the Project is placed in service, but in no event later than three years after the date the original expenditure was paid.**

Except for any reimbursement allowed under this Section 3.3, no portion of the proceeds advanced to the Borrower will be used to pay for expenditures relating to acquiring existing facilities (as contrasted with costs of enhancements, repair or rehabilitation of existing facilities).

3.4 Neither the Project nor any portion thereof has been, is expected to be, or will be sold or otherwise disposed of, in whole or in part, prior to the last maturity date of the Securities.

3.5 The Borrower has entered into the Loan Agreement of even date hereof under which it is committed to borrow $280,000 from the Issuer of the Securities and the Borrower reasonably expects to borrow and expend the full amount of such commitment.

3.6 At least 75% of the Loan Amount is expected to be used for Construction Purposes.

3.7 The Borrower will not use proceeds of the Loan (i) to pre-pay for goods or services to be received over a period of years prior to the date such goods or services are to be received, or (ii) to pay for or otherwise acquire goods or services from an Affiliated Person, as defined in *Exhibit A*.

3.8 The Borrower shall at all times be a Qualified Borrower.

4. Remedial Action.

4.1 The Borrower agrees to operate the Project as a Qualifying Facility.

The Borrower acknowledges that if property financed with proceeds of the Securities advanced to the Borrower is operated in a manner other than as a Qualifying Facility such operation may constitute a "deliberate action" that may require remedial actions to prevent the tax credit being produced by the Securities from being disallowed.

The Borrower shall promptly contact the Issuer as provided in Section 6.3 hereof if it considers operating property financed with proceeds of the Loan other than as a Qualifying Facility.

4.2 The Borrower acknowledges that if property financed with proceeds of the Loan is sold or otherwise disposed of in a manner contrary to the provisions of Section 3.4 hereof, such sale or disposition may constitute a "deliberate action" that may require remedial actions to prevent the tax credit being produced by the Securities from being disallowed. If the Borrower considers the sale or other disposition of property financed with proceeds of the Loan, it shall promptly contact the Issuer, in the manner set forth in Section 6.3 hereof.

5. Funds and Accounts; Investments.

5.1 After the issuance of the Securities, neither the Borrower nor any Related Person to the Borrower has or will have any property, including cash, securities or any other property held as a passive vehicle for the production of income or for investment purposes, that constitutes:

(i) amounts that have a sufficiently direct nexus to the Securities or to the governmental purpose of the Securities to conclude that the amounts would have been used for that governmental purpose if the Securities were not used or to be used for that governmental purpose (the mere availability or preliminary earmarking of such amounts for a governmental purpose, however, does not itself establish such a sufficient nexus);

(ii) amounts in a debt service fund, redemption fund, reserve fund, replacement fund or any similar fund to the extent reasonably expected to be used directly or indirectly to pay principal of or interest on the Securities or any amounts for which there is provided, directly or indirectly, a reasonable assurance that the amount will be available to pay principal of or interest on the Securities or any credit enhancement or liquidity device with respect to the Securities, even if the Issuer, the Borrower or any Related Person to either of them encounter financial difficulties; or

(iii) any amounts held pursuant to any agreement (such as an agreement to maintain certain levels of types of assets) made for the benefit of the holders of the Securities or any credit enhancement provider, including any liquidity device or negative pledge (*e.g.*, any amount pledged to pay principal of or interest on an issue held under an agreement to maintain the amount at a particular level for the direct or indirect benefit of holders of the Securities or a guarantor of the Securities).

No compensating balance, liquidity account, negative pledge of property held for investment purposes required to be maintained at least at a particular level or similar arrangement exists with respect to, in any way, the Securities or any credit enhancement or liquidity device related to the Securities.

5.2 During the acquiring/constructing/equipping of the Project, the Borrower will only draw down amounts from the Issuer for capital expenditures already paid by the Borrower.

5.3 Neither the Borrower nor any Related Person to the Borrower will enter into any hedge (*e.g.*, an interest rate swap, interest rate cap, futures contract, forward contract or an option) with respect to the Loan or the Securities.

5.4 All property subject to the Mortgage is and will be used by the Borrower in the conduct of its trade or business. The Borrower reasonably expects to repay the Loan from current operating revenues. The Mortgage does not require that cash, securities, obligations, annuity contracts or other property held principally as a passive vehicle for the production of income be maintained, individually or collectively, at any particular level.

6. Miscellaneous.

6.1 This Project Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia.

6.2 Prior to the date 15 days before the Securities were sold, neither the Borrower nor any Related Person to the Borrower has sold or delivered any obligations that are reasonably expected to be paid out of substantially the same source of funds as the Securities. Neither the Borrower nor any Related Person to the Borrower will sell

or deliver within 15 days after the date hereof any obligations that are reasonably expected to be paid out of substantially the same source of funds as the Securities.

6.3 All notices provided for herein shall be given or made in writing (including, without limitation, by telecopy) and delivered to the Issuer at the "Address for Notices" specified below. All such communications shall be deemed to have been duly given (i) when personally delivered including, without limitation, by overnight mail or courier service, (ii) in the case of notice by United States mail, certified or registered, postage prepaid, return receipt requested, upon receipt thereof, or (iii) in the case of notice by telecopy, upon transmission thereof, provided such transmission is promptly confirmed by either of the methods set forth in clauses (i) or (ii) above in each case given or addressed as provided for herein. The Address for Notices of the Issuer is as follows:

National Rural Utilities Cooperative Finance Corporation
2201 Cooperative Way
Herndon, Virginia 20171-3025
Attention: Senior Vice President – Member Services
Fax #703-709-6776

6.4 The Borrower represents that it has not been contacted by the Internal Revenue Service or any issuer of bonds, the proceeds of which were loaned to the Borrower regarding any examination of any tax exempt bonds issued for the benefit of the Borrower. To the best of the knowledge of the Borrower, no such obligations of the Borrower are currently under examination by the Internal Revenue Service.

6.5 Any restriction or covenant contained herein need not be observed or may be changed if such nonobservance or change will not result in the loss of any tax credit under Section 54 of the Code for the purpose of federal income taxation to which the Securities is otherwise entitled and the Borrower receives an opinion of Bond Counsel to such effect and the Issuer agrees to such nonobservance or change.

6.6 If any clause, provision or section of this Project Agreement is ruled invalid by any court of competent jurisdiction, the invalidity of such clause, provision or section shall not affect any of the remaining clauses, sections or provisions hereof.

6.7 The terms, provisions, covenants and conditions of this Project Agreement shall bind and inure to the benefit of the respective successors and assigns of the Issuer and the Borrower.

6.8 This Project Agreement shall terminate on the date three (3) years after the CREB Maturity Date.

The undersigned acknowledge that this Project Agreement is given as a basis for an opinion of the law firm of Chapman and Cutler LLP, Chicago, Illinois, and such firm is hereby authorized to rely on this Project Agreement.

DATED as of the day and year first above written.

SULPHUR SPRINGS VALLEY ELECTRIC
COOPERATIVE, INC.

By Gene Manning
Title President

CFC DOC
AZ014-A-9036-CB001 (JABLONJ)
117507-1

## EXHIBIT A

## DEFINITIONS

*"Affiliated Person"* means any Person that (a) at any time during the six months prior to the Closing Date, (i) has more than five percent of the voting power of the governing body of the Issuer or the Borrower in the aggregate vested in its directors, officers, owners, and employees or (ii) has more than five percent of the voting power of its governing body in the aggregate vested in directors, officers, board members, owners, members or employees of the Issuer or the Borrower or (b) during the one-year period beginning six months prior to the Closing Date, (i) the composition of the governing body of which is modified or established to reflect (directly or indirectly) representation of the interests of the Issuer or the Borrower (or for which an agreement, understanding, or arrangement relating to such a modification or establishment during that one-year period) or (ii) the composition of the governing body of the Issuer or the Borrower is modified or established to reflect (directly or indirectly) representation of the interests of such Person (or for which an agreement, understanding, or arrangement relating to such a modification or establishment during that one-year period).

*"Bond Counsel"* means Chapman and Cutler LLP or any other nationally recognized firm of attorneys experienced in the field of municipal obligations whose opinions are generally accepted by purchasers of municipal obligations.

*"Closing Date"* means the date the Issuer issues the Securities.

*"Code"* means the Internal Revenue Code of 1986, as amended.

*"Constructed Personal Property"* means tangible personal property (or, if acquired pursuant to a single acquisition contract, properties) or Specially Developed Computer Software if (i) a substantial portion of the property or properties is completed more than six (6) months after the earlier of the date construction or rehabilitation commenced and the date the Borrower entered into an acquisition contract; (ii) based on the reasonable expectations of the Borrower, if any, or representations of the person constructing the property, with the exercise of due diligence, completion of construction or rehabilitation (and delivery to the issuer) could not have occurred within that six-month period; and (iii) if the Borrower itself builds or rehabilitates the property, not more than 75 percent of the capitalizable cost is attributable to property acquired by the Borrower (*e.g.,* components, raw materials, and other supplies).

*"Construction Purposes"* means capital expenditures that are allocable to the cost of Real Property or Constructed Personal Property. Except as provided in the next succeeding sentence, construction expenditures do not include expenditures for acquisitions of interests in land or other existing real property. Expenditures are not for the acquisition of an interest in existing real property other than land if the contract between the seller and the Borrower requires the seller to build or install the property (*e.g.,* a *turnkey contract*), but only to the extent that the property has not been built or installed at the time the parties enter into the contract.

*"Control"* means the possession, directly or indirectly through others, of either of the following discretionary and non-ministerial rights or powers over another entity (i) to approve and to remove without cause a controlling portion of the governing body of a Controlled Entity, or (ii) to require the use of funds or assets of a Controlled Entity for any purpose.

*"Controlled Entity"* means any entity or one of a group of entities that is subject to Control by a Controlling Entity or group of Controlling Entities.

*"Controlled Group"* means a group of entities directly or indirectly subject to Control by the same entity or group of entities, including the entity that has the Control of the other entities.

*"Controlling Entity"* means any entity or one of a group of entities directly or indirectly having Control of any entities or group of entities.

*"CREB Maturity Date"* shall have the meaning ascribed to it in the Loan Agreement.

*"Governmental Body"* means any State, territory, possession of the United States, the District of Columbia, Indian tribal government, and any political subdivision thereof.

*"Mortgage"* means the mortgage and security agreement applicable to substantially all of the property of the Borrower.

*"Qualified Borrower"* means (i) a mutual or cooperative electric company described in Sections 501(c)(12) or 1381(a)(2)(C) of the Code, or (ii) a Governmental Body (as defined above).

*"Real Property"* means land and improvements to land, such as buildings or other inherently permanent structures, including interests in real property. For example, real property includes wiring in a building, plumbing systems, central heating or air-conditioning systems, pipes or ducts, elevators, escalators installed in a building, paved parking areas, roads, wharves and docks, bridges, and sewage lines.

*"Related Person"* means any member of the same Controlled Group as the Issuer or the Borrower and any person related to the Issuer or a Borrower within the meaning of Section 144(a)(3) of the Code.

*"Solar Energy Facility"* means a facility using solar energy to produce electricity.

*"Specially Developed Computer Software"* means any programs or routines used to cause a computer to perform a desired task or set of tasks, and the documentation required to describe and maintain those programs, provided that the software is specially developed and is functionally related and subordinate to real property or other constructed personal property.

*"Tangible Personal Property"* means any tangible property other than real property, including interests in tangible personal property. For example, tangible personal property

includes machinery that is not a structural component of a building, subway cars, fire trucks, automobiles, office equipment, testing equipment, and furnishings.

## EXHIBIT B

## UPDATED DESCRIPTION OF THE PROJECT

| | |
|---|---|
| CFC Application | No. 6 Sulphur Springs Valley EC, Inc. |
| Bond Proceeds Needed for Project: | $280,000 |
| Bond Allocation Requested: | $280,000 |
| Name of Project | Cochise Elementary District Photovoltaic Solar Automobile Parking Shade Structure |
| Project Street Address | Cochise Elementary School<br>5025 N. Bowie<br>Cochise, AZ 85606<br>Phone (520) 384-2540<br>Fax (520) 384-4836 |
| County | Cochise County |
| Individual Name to Contact | Jack Blair |
| Company Name | Sulphur Springs Valley Electric Cooperative, Inc. |
| Street Address | 311 E. Wilcox Drive |
| City, State, Zip | Sierra Vista, AZ 85635 |
| Telephone Number | (520) 515-3470 |
| Fax | (520) 458-3467 |

Updated Detailed Description of the Project:

A cantilevered shade structure at a school on the top of which will be constructed a 23kW solar photovoltaic system to supply power to the school. Excess power will flow on to the SSVEC system.

## EXHIBIT C

## ORIGINAL DESCRIPTION OF THE PROJECT

[COPY OF EXHIBIT A TO ISSUER APPLICATION TO THE IRS]

## CLEAN RENEWABLE ENERGY BONDS APPLICATION
## EXHIBIT A

## SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

## COCHISE ELEMENTARY DISTRICT PHOTOVOLTAIC SOLAR SHADE STRUCTURE

This project will place a photovoltaic module costing $280,000, that will produce 23 kW of electricity in the shade structure in the one Cochise Elementary District school. The PV structure will provide electricity to the respective school at no charge. There will also be a cable connection to a computer in the library of each school to show students how the system is working.

This project is the identical project that Navopache Electric Cooperative in Arizona built in 2001 that continues to function with no issues/problems.

SSVEC will operate and maintain the structure. Any excess power produced will flow back to the SSVEC grid.

The PV structures at the schools will significantly reduce their electric bills, which have been disproportionately large due to the per meter monthly surcharges mandated by the Environmental Portfolio Program (EPP), and approved by the Arizona Corporation Commission. All customers pay the EPP fees to SSVEC, which uses them to fund renewable energy projects. Since each school has many meters, they pay the EPP a disproportionately large amount of dollars. The benefit of reduced electric bills will offset their payments into the fund.

The RFP issued by Sulphur Springs Valley Electric Cooperative follows.

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.
A TOUCHSTONE ENERGY® COOPERATIVE

FOR THE ELECTRIC COOPERATIVES IN THE STATE OF ARIZONA

# REQUEST
# A
# PROPOSAL

FOR

## A PHOTOVOLTAIC SYSTEM
## USED FOR
## SHADE STRUCTURES
## FOR
## PUBLIC BUILDINGS

ISSUED: AUGUST 1, 2005

Narrative: The Electric Cooperatives in Arizona (Duncan Valley EC, Graham County EC, Mohave EC, Navopache EC, Sulphur Springs Valley EC, Trico EC and Arizona Electric Power Cooperative, Inc.) request a proposal for a modular designed system to supply a 10 kW to 30 kW Photovoltaic (PV) system. System size is relative to the space available for the PV panels on each site. System may consist of multiple free standing modules interconnected to meet the 10 to 30 kW size requirement. Modules to be used as free standing carports or free standing covers for walkways to provide shade. These systems are to be used at public buildings to increase the awareness of PV systems and operations and systems will be sized based on the available space. Base pricing for 10, 15, 20, 25, and 30 kW systems are requested (systems may be rounded to the nearest 5kW increment). The interconnection cost from the PV system to nearest distribution panel will be on a case by case basis due to the variation in sites. This RFP is not all inclusive and contractor may include other specifications or requirements they feel are necessary for a successful venture.

This RFP is released on August 1, 2005 and response must be in a written proposal by October 1, 2005. For questions or clarification of details please contact Albert Gomez (520-515-3473) or David Bane (520-515-3472).

SCOPE OF WORK - THE CONTRACTOR WILL BE RESPONSIBLE FOR THE FOLLOWING:

- Structural design of the supporting PV structures (carport and walkway)
- One line circuit diagrams for approval by local Cooperative's engineering department
- Complete wiring diagrams (to be included in owner manual)
- Isolation transformers as needed to meet the NEC
- Purchase and installation of all components

- Systems test period of 4-6 weeks prior to transfer of title of equipment to site owner
- Any required Permits (Cooperative will reimburse actual cost of permits)
- Meter socket on the A/C output of the inverter(s)
- Interconnection with Customers electric service
- Fencing around inverters and other equipment as required for security and public safety
- Project to meet or exceed SunWatts standards
- Basic training for site owner / site operator
- Operators Manual

THE COOPERATIVE WILL PROVIDE THE FOLLOWING:

- Meter to measure AC output from PV system to owners electric panel
- Written permission from site owner to build the PV Module
- Act as the point of contact with the installation Contractor on behalf of the site owner

STRUCTURAL DESIGN REQUIREMENTS:

The basic structure is to support the PV cells but must be able to work as a carport with all the required clearances. Support should be in a cantilever style to allow easy parking, spacing on vertical supports should be in multiples of 10 feet to be able to match typical parking lot spacing, height should allow the parking of full size passenger vans, and structure does not have to be water proof (providing shade to vehicles is secondary to the production of energy). Sample profile (to show intent not required design) is on page 4. Ideal structure would have the ability to support PV panels that would be effective if the long side of the structure is in a North-South as well as East-West orientation.

PV DESIGN REQUIREMENTS:

- PV panels shall have warranty for a minimum of 15 years to cover rated output (output degradation not to exceed 20% over life of panel)
- All system components will be UL certified
- System will include isolation transformers per section 250-30 of the NEC
- Polyphase inverter with voltage to match customer's system
- Inverter to match capacity of project
- 15 year manufacturers warranty on Inverter (contractor may use an extended warranty insurance policy to meet 15 year requirement)
- Contractor will warranty repair labor at 100% for first 5 years, 66% of labor for second 5 years, and 33% of labor for remaining 5 years, (limited to warranty repairs)
- Interconnection costs from site of PV system to nearest practical distribution panel will be on a case by case basis, (site selection process will keep this as short as possible)

SUNWATTS REQUIREMENTS:

- One-line drawings subject to approval by local Cooperative's engineering department
- Units to operate in parallel with grid

- Includes protection for out of frequency problems
- Low harmonics
- Inverter must disconnect in the event grid power is lost
- Lockable safety switch located between the inverter and meter socket
-

TRAINING REQUIREMENTS:

The Contractor will provide sufficient time with the site owner to explain how to disconnect the system, locate inverter, identify all junction boxes between the modules, and identify any system warning lights or displays. Contractor will also provide system manual with basic operating instructions and all the associated warranty information and manufacturer contacts listed.

## EXHIBIT D

## MONTHLY DRAWDOWN SCHEDULE OF AMOUNTS TO BE ADVANCED TO THE BORROWER PURSUANT TO THE LOAN AGREEMENT

| DATE ON WHICH PROCEEDS ARE EXPECTED TO BE EXPENDED | AMOUNTS OF PROCEEDS TO BE EXPENDED |
|---|---|
| October 6, 2008 | $280,000 |

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

To

NATIONAL RURAL UTILITIES
COOPERATIVE FINANCE CORPORATION
Issuer

# LOAN AGREEMENT

Dated as of 12/21, 2007

Clean Renewable Energy Bonds
(Cooperative Renewable Energy Projects) Series 2008A
of National Rural Utilities Cooperative Finance Corporation

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## LOAN AGREEMENT

**LOAN AGREEMENT** (this "Agreement") dated as of _____, between SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. ("Borrower"), a corporation organized and existing under the laws of the State of Arizona and NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION ("CFC"), a cooperative association organized and existing under the laws of the District of Columbia.

## RECITALS

**WHEREAS,** the Borrower has applied to CFC for a loan for the purposes set forth in Schedule 1 hereto, and CFC is willing to make such a loan to the Borrower on the terms and conditions stated herein; and

**WHEREAS,** the Borrower has agreed to execute a promissory note to evidence an indebtedness in the aggregate principal amount of the CFC Commitment (as hereinafter defined).

**NOW, THEREFORE,** for and in consideration of the premises and the mutual covenants hereinafter contained, the parties hereto agree and bind themselves as follows:

## ARTICLE I

## DEFINITIONS

**Section 1.01** For purposes of this Agreement, the following capitalized terms shall have the following meanings (such definitions to be equally applicable to the singular and the plural form thereof). Capitalized terms that are not defined herein shall have the meanings as set forth in the Mortgage.

**"Accounting Requirements"** shall mean any system of accounts prescribed by a federal regulatory authority having jurisdiction over the Borrower or, in the absence thereof, the requirements of GAAP applicable to businesses similar to that of the Borrower.

**"Advance"** shall mean each advance of funds by CFC to the Borrower pursuant to the terms and conditions of this Agreement, including the Initial Advance and the Primary Advance.

**"Authorized Officer of the Borrower"** means the Chairman, General Manager or Chief Financial Officer of the Borrower or any other person authorized by the Board of the Borrower so to act or any other person performing a function similar to the function performed by any such officer or authorized person.

**"Average DSC Ratio"** shall mean the average of the Borrower's two highest annual DSC Ratios during the most recent three calendar years.

**"Bond Counsel"** means an attorney at law or a firm of attorneys (designated by CFC and acceptable to the Trustee) of nationally recognized standing in matters pertaining to the tax-exempt nature of interest or tax credits on bonds issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of any state of the United States of America.

**"Business Day"** shall mean any day that both CFC and the depository institution CFC utilizes for funds transfers hereunder are open for business.

**"CFC Commitment"** shall have the meaning as defined in Schedule 1.

**"CFC CREB Rate"** shall mean the interest rate charged by CFC for loans made by CFC from proceeds of the CREBs which rate shall not exceed one hundred and fifty basis points (150/100 of 1%) per annum.

**"Closing Date"** shall mean the date CFC issues the CREBs.

**"Code"** shall mean the Internal Revenue Code of 1986, as supplemented and amended.

**"Completion Certificate"** shall mean the certificate of the Borrower required by Section 5.01.P of this Agreement, substantially in the form of Exhibit C hereto.

**"CREBs"** shall mean the series of Securities issued by CFC to provide financing for the Project.

**"CREB Maturity Date"** shall mean the maturity date of the CREBs, which shall be the December 15th prior to the Maximum CREB Term Anniversary Date.

**"Debt Service Coverage ("DSC") Ratio"** shall mean the ratio determined as follows: for any calendar year add (i) Operating Margins, (ii) Non-Operating Margins--Interest, (iii) Interest Expense, (iv) Depreciation and Amortization Expense, and (v) cash received in respect of generation and transmission and other capital credits, and divide the sum so obtained by the sum of all payments of Principal and Interest Expense required to be made during such calendar year; provided, however, that in the event that any amount of Long-Term Debt has been refinanced during such year, the payments of Principal and Interest Expense required to be made during such year on account of such refinanced amount of Long-Term Debt shall be based (in lieu of actual payments required to be made on such refinanced amount of Long-Term 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 payment of Principal and Interest Expense required to be made during the following year on account of such refinancing debt.

**"Default Rate"** shall mean a rate per annum equal to one hundred and fifty basis points (150/100 of 1%).

**"Depreciation and Amortization Expense"** shall mean an amount constituting the depreciation and amortization of the Borrower computed pursuant to Accounting Requirements.

**"Determination of Tax Credit Ineligibility"** shall mean a determination that a particular series of Securities does not qualify for a tax credit for the owner thereof under Section 54 of the Code, which determination shall be deemed to have been made upon the occurrence of the first to occur of the following:

(a) the date on which CFC determines that there is a significant likelihood that a particular series of Securities may not qualify for a tax credit, if such determination is supported by a written opinion of Bond Counsel to that effect; or

(b) the date on which CFC shall receive notice in writing that the Trustee has been advised by the owner of any Security that a particular series of Securities does not qualify for a tax credit for the owner thereof, based upon a final determination made either by: (A) the Internal Revenue Service in a published or private ruling or technical advice memorandum or (B) any court of competent jurisdiction in the United States of America, as a result of a failure by CFC or any borrower to observe any agreement or representation in the Tax Compliance Agreement or a Loan Agreement or Project Agreement relating to the proceeds of the Securities. Any such determination will not be considered final for this purpose unless the Owner of the Securities involved in the proceeding or action resulting in the determination (i) gives CFC and the Trustee prompt written notice of the commencement thereof and (ii) if CFC agrees to pay all expenses in connection therewith and to indemnify such Owner of the Securities against all liabilities in connection therewith, offers CFC an opportunity to contest the determination, either directly or in the name of the Owner of the Securities, and until conclusion of any review, if sought.

**"Distributions"** shall mean, with respect to the Borrower, any dividend, patronage refund, patronage capital retirement or cash distribution to its members, or consumers (including but not limited to any general cancellation or abatement of charges for electric energy or services furnished by the Borrower). The term "Distribution" shall *not* include (a) a distribution by the Borrower to the estate of a deceased patron, (b) repayment by the Borrower of a membership fee upon termination of a membership, or (c) any rebate to a patron resulting from a cost abatement received by the Borrower, such as a reduction of wholesale power cost previously incurred.

**"Draw Period"** shall have the meaning as described in Schedule 1 hereto.

**"Environmental Laws"** shall mean all laws, rules and regulations promulgated by any Governmental Authority, with which Borrower is required to comply, regarding the use, treatment, discharge, storage, management, handling, manufacture, generation, processing, recycling, distribution, transport, release of or exposure to any Hazardous Material.

**"Equity"** shall mean the aggregate of the Borrower's equities and margins computed pursuant to Accounting Requirements.

**"Event of Default"** shall have the meaning as described in Article VI hereof.

**"Funds Requisition Statement"** shall mean the certificate of the Borrower, in the form set forth as Exhibit A to this Agreement, by which the Borrower will obtain an advance of funds from CFC under the Loan.

**"GAAP"** shall mean generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board.

**"Governmental Authority"** shall mean the government of the United States of America, any other nation or government, any state or other political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

**"Hazardous Material"** shall mean any (a) petroleum or petroleum products, radioactive materials, asbestos-containing materials, polychlorinated biphenyls, lead and radon gas, and (b) any

other substance designated as hazardous or toxic or as a pollutant or contaminant under any Environmental Law.

**"Indenture"** shall mean the Indenture between CFC and U.S. Bank Trust Company National Association, relating to the first issue of Securities, pursuant to which the Securities, including the CREBs are issued, as supplemented and amended.

**"Initial Advance"** shall mean the Advance made by CFC on the Closing Date pursuant to Section 3.02.A hereof to fund a portion of CFC's costs in issuing the CREBs attributable to the CFC Commitment, including, but not limited to, original issue discount, underwriting discount and other costs of issuance, including, without limitation, rating agency costs and legal, underwriting and Trustee expenses.

**"Interest Expense"** shall mean an amount constituting the interest expense with respect to Long-Term Debt of the Borrower computed pursuant to Accounting Requirements. 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 Restricted Rentals paid by the Borrower over 2% of the Borrower's Equity.

**"Lien"** shall mean any statutory or common law consensual or non-consensual mortgage, pledge, security interest, encumbrance, lien, right of set off, claim or charge of any kind, including, without limitation, any conditional sale or other title retention transaction, any lease transaction in the nature thereof and any secured transaction under the Uniform Commercial Code.

**"Loan"** shall mean the loan made by CFC to the Borrower, pursuant to this Agreement and the Note, in an aggregate principal amount not to exceed the CFC Commitment.

**"Loan Capital Term Certificate" or "LCTC"** shall mean a certificate, or book entry form of account, evidencing the Borrower's purchase of equity in CFC.

**"Loan Documents"** shall mean this Agreement, the Note, the Mortgage, the Project Agreement and all other documents or instruments executed, delivered or executed and delivered by the Borrower and evidencing, securing, governing or otherwise pertaining to, the Loan.

**"Long-Term Debt"** shall mean an amount constituting the long-term debt of the Borrower computed pursuant to Accounting Requirements.

**"Maturity Date"** shall mean the Payment Date immediately prior to the CREB Maturity Date permitted for the CREBs under Section 54(e)(2) of the Code as in effect on the Closing Date.

**"Maximum CREB Term Anniversary Date"** shall mean the anniversary of the Closing Date that occurs at the maximum term permitted for the CREBs under Section 54(e)(2) of the Code as in effect on the Closing Date.

**"Mortgage"** shall have the meaning as described in Schedule 1 hereto.

**"Mortgaged Property"** shall have the meaning ascribed to it in the Mortgage.

**"Non-Operating Margins--Interest"** shall mean the amount representing the interest component of non-operating margins of the Borrower computed pursuant to Accounting Requirements.

**"Note"** shall mean the secured promissory note, payable to the order of CFC, executed by the Borrower, dated as of even date herewith, pursuant to this Agreement as identified on Schedule 1 hereto and shall include any substitute note or modification thereto.

**"Obligations"** shall mean any and all liabilities, obligations or indebtedness owing by the Borrower to CFC, of any kind or description, irrespective of whether for the payment of money, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising.

**"Operating Margins"** shall mean the amount of patronage capital and operating margins of the Borrower computed pursuant to Accounting Requirements.

**"Payment Date"** shall mean the first (1st) day of each of March, June and September and December.

**"Payment Notice"** shall mean a notice furnished by CFC to the Borrower that indicates the amount of each payment of interest or interest and principal and the total amount of each payment due.

**"Permitted Encumbrances"** shall have the meaning ascribed to it in the Mortgage.

**"Person"** shall mean natural persons, cooperatives, corporations, limited liability companies, limited partnerships, general partnerships, limited liability partnerships, joint ventures, associations, companies, trusts or other organizations, irrespective of whether they are legal entities, and Governmental Authorities.

**"Primary Advance"** shall mean the Advance made by CFC to the Borrower pursuant to Section 3.02.B hereof two Business Days after the Closing Date to reimburse Borrower for costs of the Project.

**"Principal"** shall mean the amount of principal billed on account of Long-Term Debt of the Borrower computed pursuant to Accounting Requirements.

**"Project"** shall mean the project being financed pursuant to the Loan, as further described in Schedule 1.

**"Project Account"** means an account created pursuant to the Indenture within the Project Fund related to the CREBs.

**"Project Agreement"** shall mean the Project Agreement, dated as of even date herewith, executed by the Borrower with respect to the Project and the CREBs.

**"Project Fund"** means the Project Fund created and identified as such in the Indenture.

**"Restricted Rentals"** shall mean all rentals required to be paid under finance leases and charged to income, exclusive of any amounts paid under any such lease (whether or not designated therein as rental or additional rental) for maintenance or repairs, insurance, taxes, assessments, water rates or similar charges. For the purpose of this definition the term "finance lease" shall mean any lease having a rental term (including the term for which such lease may be renewed or extended at the option of the lessee) in excess of three (3) years and covering property having an initial cost in excess of $250,000 other than automobiles, trucks, trailers, other vehicles (including without

limitation aircraft and ships), office, garage and warehouse space and office equipment (including without limitation computers).

**"Securities"** shall mean one or more series of clean renewable energy bonds issued by CFC under the Indenture.

**"Subsidiary"** as to any Person, shall mean a corporation, partnership, limited partnership, limited liability company or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise qualified, all references to a "Subsidiary" or to "Subsidiaries" in this Agreement shall refer to a Subsidiary or Subsidiaries of the Borrower.

**"Tax Compliance Agreement"** means a tax compliance certificate and agreement of CFC with respect to a series of Securities, as accepted by the Trustee, as amended.

**"Termination Certificate"** shall mean the certificate of the Borrower required by Section 5.01.Q of this Agreement, substantially in the form of Exhibit D hereto.

**"Total Assets"** shall mean an amount constituting the total assets of the Borrower computed pursuant to Accounting Requirements.

**"Total Utility Plant"** shall mean the amount constituting the total utility plant of the Borrower computed pursuant to Accounting Requirements.

**"Trustee"** shall mean U.S. Bank Trust Company National Association and its successors and assigns.

## ARTICLE II

## REPRESENTATIONS AND WARRANTIES

**Section 2.01** The Borrower represents and warrants to CFC that as of the date of this Agreement:

A. **Good Standing.** The Borrower is duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization, is duly qualified to do business and is in good standing in those states in which it is required to be qualified to conduct its business. The Borrower is a member in good standing of CFC.

B. **Subsidiaries and Ownership.** Schedule 1 hereto sets forth a complete and accurate list of the Subsidiaries of the Borrower showing the percentage of the Borrower's ownership of the outstanding stock, membership interests or partnership interests, as applicable, of each Subsidiary.

C. **Authority; Validity.** The Borrower has the power and authority to enter into this Agreement, the Note, the Project Agreement and the Mortgage; to make the borrowing hereunder; to execute and deliver all documents and instruments required hereunder and to incur and perform the obligations provided for herein, in the Note, in the Project Agreement and in the Mortgage, all of which have been duly authorized by all necessary and proper action; and no consent or approval of

any Person, including, as applicable and without limitation, members of the Borrower, which has not been obtained is required as a condition to the validity or enforceability hereof or thereof.

Each of this Agreement, the Note, the Project Agreement and the Mortgage is, and when fully executed and delivered will be, legal, valid and binding upon the Borrower and enforceable against the Borrower in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity.

D. **No Conflicting Agreements.** The execution and delivery of the Loan Documents and performance by the Borrower of the obligations thereunder, and the transactions contemplated hereby or thereby, will not: (i) violate any provision of law, any order, rule or regulation of any court or other agency of government, any award of any arbitrator, the articles of incorporation or by-laws of the Borrower, or any indenture, contract, agreement, mortgage, deed of trust or other instrument to which the Borrower is a party or by which it or any of its property is bound; or (ii) be in conflict with, result in a breach of or constitute (with due notice and/or lapse of time) a default under, any such award, indenture, contract, agreement, mortgage, deed of trust or other instrument, or result in the creation or imposition of any Lien (other than contemplated hereby) upon any of the property or assets of the Borrower.

The Borrower is not in default in any material respect under any agreement or instrument to which it is a party or by which it is bound and no event or condition exists which constitutes a default, or with the giving of notice or lapse of time, or both, would constitute a default under any such agreement or instrument.

E. **Taxes.** The Borrower, and each of its Subsidiaries, has filed or caused to be filed all federal, state and local tax returns which are required to be filed and has paid or caused to be paid all federal, state and local taxes, assessments, and governmental charges and levies thereon, including interest and penalties to the extent that such taxes, assessments, and governmental charges and levies have become due, except for such taxes, assessments, and governmental charges and levies which the Borrower or any Subsidiary is contesting in good faith by appropriate proceedings for which adequate reserves have been set aside.

F. **Licenses and Permits.** The Borrower has duly obtained and now holds all licenses, permits, certifications, approvals and the like necessary to own and operate its property and business that are required by Governmental Authorities and each remains valid and in full force and effect.

G. **Litigation.** There are no outstanding judgments, suits, claims, actions or proceedings pending or, to the knowledge of the Borrower, threatened against or affecting the Borrower, its Subsidiaries or any of their respective properties which, if adversely determined, either individually or collectively, would have a material adverse effect upon the business, operations, prospects, assets, liabilities or financial condition of the Borrower or its Subsidiaries. The Borrower and its Subsidiaries are not, to the Borrower's knowledge, in default or violation with respect to any judgment, order, writ, injunction, decree, rule or regulation of any Governmental Authority which would have a material adverse effect upon the business, operations, prospects, assets, liabilities or financial condition of the Borrower or its Subsidiaries.

H. **Financial Statements.** The balance sheet of the Borrower as at the date identified in Schedule 1 hereto, the statement of operations of the Borrower for the period ending on said date, and the interim financial statements of the Borrower, all heretofore furnished to CFC, are complete and correct. Said balance sheet fairly presents the financial condition of the Borrower as at said date

and said statement of operations fairly reflects its operations for the period ending on said date. The Borrower has no contingent obligations or extraordinary forward or long-term commitments except as specifically stated in said balance sheet or herein. There has been no material adverse change in the financial condition or operations of the Borrower from that set forth in said financial statements except changes disclosed in writing to CFC prior to the date hereof.

I. **Borrower's Legal Status.** Schedule 1 hereto accurately sets forth: (i) the Borrower's exact legal name, (ii) the Borrower's organizational type and jurisdiction of organization, (iii) the Borrower's organizational identification number or accurate statement that the Borrower has none, and (iv) the Borrower's place of business or, if more than one, its chief executive office as well as the Borrower's mailing address if different.

J. **Required Approvals.** Other than the CREBs allocation received from the Internal Revenue Service, no license, consent or approval of any Governmental Authority is required to enable the Borrower to enter into this Agreement, the Project Agreement, the Note and the Mortgage, or to perform any of its Obligations provided for in such documents, including without limitation (and if applicable), that of any state public utilities commission, any state public service commission, and the Federal Energy Regulatory Commission, except as disclosed in Schedule 1 hereto, all of which the Borrower has obtained prior to the date hereof.

K. **Compliance With Laws.** The Borrower and each Subsidiary is in compliance, in all material respects, with all applicable requirements of law and all applicable rules and regulations of each Governmental Authority.

L. **Disclosure.** To the Borrower's knowledge, information and belief, neither this Agreement nor any document, certificate or financial statement furnished to CFC by or on behalf of the Borrower in connection herewith (all such documents, certificates and financial statements, taken as a whole) contains any untrue statement of a material fact or omits to state any material fact necessary in order to make the statements contained herein and therein not misleading.

M. **No Other Liens.** As to property which is presently included in the description of Mortgaged Property, the Borrower has not, without the prior written approval of CFC, executed or authenticated any security agreement or mortgage, or filed or authorized any financing statement to be filed with respect to assets owned by it, other than security agreements, mortgages and financing statements in favor of CFC, except as disclosed in writing to CFC prior to the date hereof or relating to Permitted Encumbrances.

N. **Environmental Matters.** Except as to matters which individually or in the aggregate would not have a material adverse effect upon the business or financial condition of the Borrower or its Subsidiaries, (i) Borrower is in compliance with all Environmental Laws (including, but not limited to, having any required permits and licenses), (ii) there have been no releases (other than releases remediated in compliance with Environmental Laws) from any underground or aboveground storage tanks (or piping associated therewith) that are or were present at the Mortgaged Property, (iii) Borrower has not received written notice or claim of any violation of any Environmental Law, (iv) there is no pending investigation of Borrower in regard to any Environmental Law, and (v) to the best of Borrower's knowledge, there has not been any release or contamination (other than releases or contamination remediated in compliance with Environmental Laws) resulting from the presence of Hazardous Materials on property owned, leased or operated by the Borrower.

O. **Project Agreement.** As set forth in the Project Agreement, the Project constitutes "a qualified project" as defined in Section 54(d)(2)(A) of the Code. As set forth in the Project Agreement,

the Borrower constitutes currently, and will remain through the period that the CREBs remain outstanding, "a Qualified Borrower", meaning a (i) mutual or cooperative electric company described in Sections 501(c)(12) or 1381(a)(2)(C) of the Code, or (ii) a Governmental Body, which is defined as any state, territory possession of the U.S., the District of Columbia, Indian tribal government, and any political subdivision thereof. The statements, information and descriptions contained in the Project Agreement are true, correct and complete, and do not contain any untrue statement or misleading statement of a material fact, and do not omit to state a material fact required to be stated therein or necessary to make the statements, information and descriptions contained therein, in the light of the circumstances under which they were made, not misleading, and the estimates and the assumptions contained in the Project Agreement are reasonable and based on the best information available to the Borrower.

## ARTICLE III

## LOAN

**Section 3.01 Definitions.** For purposes of this Article 3, the following capitalized terms shall have the following meanings:

**"Borrower's Annual Bond Repayment Amount"** shall mean the amount determined by dividing the CFC Commitment by the number of years from the Closing Date to the Maximum CREB Term Anniversary Date, which amount shall be recalculated on the date CFC rescinds any excess moneys pursuant to Section 3.05 or 3.06 hereof.

**"Quarterly Bond Deposit Amount"** shall mean for each Payment Date, the amount determined by subtracting from the Quarterly Bond Repayment Amount the principal amount payable by the Borrower pursuant to Section 3.03.A(ii)(b)(1) on such Payment Date.

**"Quarterly Bond Repayment Amount"** shall mean one-fourth (¼) of the Borrower's Annual Bond Repayment Amount.

**Section 3.02 Advances.** The obligation of the Borrower to repay the Advances shall be evidenced by the Note. The aggregate amount of all Advances made hereunder shall not exceed the CFC Commitment. At the end of the Draw Period, CFC shall have no further obligation to make Advances.

A. **Initial Advance.** Borrower hereby agrees that on the Closing Date, CFC shall automatically, and without action by Borrower, make the Initial Advance. On the Closing Date, CFC shall notify Borrower of the final amount of the Initial Advance and the amount of the CFC Commitment remaining for Borrower to subsequently Advance.

B. **Subsequent Advances.**

(i) The Borrower may submit a request for the Primary Advance to CFC in writing (which may be submitted by facsimile) no later than 12:00 noon local time at CFC's offices in Herndon, Virginia seven Business Days prior to the Closing Date. The Primary Advance may be requested in any amount up to the CFC Commitment. CFC shall make the Primary Advance two Business Days after the Closing Date in the lesser of (i) the aggregate amount of such requested Primary Advance, and (ii) the amount of the CFC Commitment less the amount of the Initial Advance.

(ii) Except as set forth in 3.02.A and 3.02.B(i) hereof, the Borrower shall submit its request for an Advance to CFC in writing (which may be submitted by facsimile) no later than 12:00 noon local time at CFC's offices in Herndon, Virginia at least two (2) Business Days prior to the last Business Day of any calendar month. Borrower may make multiple requests for Advances during any calendar month in any amount so long as the aggregate amount of all Advances requested in such month is in an amount not less than $100,000.00; *provided, however* that at such time as there remains less than $100,000.00 available for Advance hereunder, Borrower may request the entirety of such remaining amount. CFC shall make a single Advance to Borrower on the first Business Day of the calendar month following Borrower's request(s) for an Advance. Such Advance shall be in the aggregate amount of all Advances requested by Borrower in the prior month, *provided however* that at such time as there remains less than $100,000.00 available for Advance hereunder and Borrower requests the entirety of such remaining amount, CFC shall Advance the entirety of such remaining amount.

**Section 3.03 Interest Rate and Payment.** The Note shall be payable and bear interest as follows:

**A. Payments; Maturity; Amortization.**

(i) The Note shall be due and payable on the Maturity Date.

(ii) On each Payment Date, the Borrower shall promptly pay the following:

(a) accrued interest on the principal amount of the Loan outstanding less the amount of the Initial Advance; and

(b) the Quarterly Bond Repayment Amount, consisting of:

(1) the principal amount due on any outstanding Advances, determined on the basis of a quarterly amortization schedule from the date of each Advance; and

(2) the Quarterly Bond Deposit Amount.

(iii) If not sooner paid, any amount due on account of the unpaid principal, interest accrued thereon and fees, if any, shall be due and payable on the Maturity Date.

(iv) Each Advance shall amortize on a level principal payment basis from the date thereof through the Maturity Date.

(v) CFC will furnish to the Borrower a Payment Notice at least ten (10) days before each Payment Date, provided, however, that CFC's failure to send a Payment Notice shall not constitute a waiver by CFC or be deemed to relieve the Borrower of its obligation to make payments as and when due as provided for herein.

(vi) No provision of this Agreement or of any Note shall require the payment, or permit the collection, of interest in excess of the highest rate permitted by applicable law.

Borrower agrees that the records of, and all computations by, CFC (in whatever media they are recorded or maintained) as to the amount of principal, interest, fees and Quarterly Bond Deposit Amount due on the Loan shall be conclusive in the absence of manifest error.

**B. Application of Payments.** Each payment shall be applied to the Loan, first to any fees, costs, expenses or charges other than interest or principal, second to interest accrued, third to the Quarterly Bond Deposit Amount and the balance to principal.

**C. Application of Bond Repayment Deposit.** At such time as the aggregate amount billed by CFC in any calendar year on account of amortized principal under this Agreement exceeds the Borrower's Annual Bond Repayment Amount for such year, CFC shall apply a portion of the Borrower's prior payments of the Quarterly Bond Deposit Amount in the amount of such overage to principal then due. Until such time, Borrower's payments of the Quarterly Bond Deposit Amount shall not reduce the amount of principal outstanding and subject to amortization. Any amount paid by the Borrower under this Agreement on account of the Quarterly Bond Deposit Amount in excess of the principal amount of the fully advanced Loan shall be refunded to the Borrower on the Maturity Date.

**D. Interest Rate Computation.** Each Advance except the Initial Advance shall bear interest at the CFC CREB Rate which shall apply until the Maturity Date. The Initial Advance shall not bear interest. Interest on Advances shall be computed on the basis of a 30-day month and 360-day year.

**Section 3.04. Extraordinary Obligation to Prepay.** Upon a Determination of Tax Credit Ineligibility that subjects the CREBs to an extraordinary mandatory redemption due to a failure of the Borrower to observe any agreement or representation in this Loan Agreement (as more particularly described in paragraph (b) of the defined term "Determination of Tax Credit Ineligibility"), the Borrower shall prepay the Loan, or such part thereof as determined by CFC, at such times and in such amounts as determined by CFC within sixty (60) days of such determination together with a prepayment premium prescribed by CFC pursuant to its policies of general application in effect from time to time.

**Section 3.05. Rescission of Excess Moneys; Fee.** If the Borrower has not drawn down the full amount of the CFC Commitment at (i) the time of filing the Completion Certificate under Section 5.01P. hereof, (ii) the time of filing the Termination Certificate under 5.01Q. hereof, (iii) a Determination of Tax Credit Ineligibility or (iv) the end of the Draw Period, a corresponding rescission of the amount of principal available to be drawn on the Note as calculated by CFC shall automatically be made without further action by the Borrower. CFC shall release the Borrower from its obligations hereunder as to such rescinded portion, provided the Borrower complies with such terms and conditions as CFC may impose for such release including, without limitation, payment of any rescission fee that CFC may from time to time prescribe, pursuant to its policies of general application.

**Section 3.06. Cancellation of Excess Moneys.** If the Borrower has not drawn down the full amount of the CFC Commitment at the time CFC determines that it will cease making Advances hereunder pursuant to Section 7.01 hereof, a corresponding cancellation of the amount of principal available to be drawn on the Note as calculated by CFC shall automatically be made without action by the Borrower.

**Section 3.07. Default Rate.** If Borrower defaults on its obligation to make a payment due hereunder by the applicable Payment Date, and such default continues for thirty days thereafter, then

beginning on the thirty-first day after the Payment Date and for so long as such default continues, Advances shall bear interest at the Default Rate.

**Section 3.08. Patronage Capital; Interest Rate Discounts.** No patronage capital shall be earned, and no interest rate discounts shall apply, to the Loan.

**Section 3.09. Optional Prepayment.** Except for prepayments made pursuant to Section 3.04 hereof, no prepayment of any Advance, in whole or in part, may be made by the Borrower.

## ARTICLE IV

## CONDITIONS OF LENDING

**Section 4.01** The obligation of CFC to make any Advance hereunder is subject to satisfaction of the following conditions in form and substance satisfactory to CFC:

**A. Legal Matters.** All legal matters incident to the consummation of the transactions hereby contemplated shall be satisfactory to counsel for CFC.

**B. Documents.** CFC shall have been furnished with (i) the executed Loan Documents, (ii) certified copies of all such organizational documents and proceedings of the Borrower authorizing the transactions hereby contemplated as CFC shall require, (iii) an opinion of counsel for the Borrower addressing such legal matters as CFC shall reasonably require, and (iv) all other such documents as CFC may reasonably request.

**C. Government Approvals.** The Borrower shall have furnished to CFC true and correct copies of all certificates, authorizations, consents, permits and licenses from Governmental Authorities necessary for the execution or delivery of the Loan Documents or performance by the Borrower of the obligations thereunder.

**D. Representations and Warranties.** The representations and warranties contained in Article II shall be true on the date of the making of each Advance hereunder with the same effect as though such representations and warranties had been made on such date; no Event of Default and no event which, with the lapse of time or the notice and lapse of time would become such an Event of Default, shall have occurred and be continuing or will have occurred after giving effect to each Advance on the books of the Borrower; there shall have occurred no material adverse change in the business or condition, financial or otherwise, of the Borrower; and nothing shall have occurred which in the opinion of CFC materially and adversely affects the Borrower's ability to perform its obligations hereunder.

**E. Mortgage Recordation.** The Mortgage (and any amendments, supplements or restatements as CFC may require from time to time) shall have been duly filed, recorded or indexed in all jurisdictions necessary (and in any other jurisdiction that CFC shall have reasonably requested) to provide CFC a lien, subject to Permitted Encumbrances, on all of the Borrower's real property, all in accordance with applicable law, and the Borrower shall have paid all applicable taxes, recording and filing fees and caused satisfactory evidence thereof to be furnished to CFC.

**F. UCC Filings.** Uniform Commercial Code financing statements (and any continuation statements and other amendments thereto that CFC shall require from time to time) shall have been duly filed, recorded or indexed in all jurisdictions necessary (and in any other jurisdiction that CFC

shall have reasonably requested) to provide CFC a perfected security interest, subject to Permitted Encumbrances, in the Mortgaged Property which may be perfected by the filing of a financing statement, all in accordance with applicable law, and the Borrower shall have paid all applicable taxes, recording and filing fees and caused satisfactory evidence thereof to be furnished to CFC.

**G. Requisitions.** The Borrower will requisition each Advance by submitting its written requisition to CFC in the form attached as Exhibit A hereto. Requisitions for Advances shall be made only for the purposes set forth in Schedule 1 hereto.

**H. Other Information.** The Borrower shall have furnished such other information as CFC may reasonably require, including but not limited to (i) information regarding the specific purpose for an Advance and the use thereof, (ii) feasibility studies, cash flow projections, financial analyses and pro forma financial statements sufficient to demonstrate to CFC's reasonable satisfaction that after giving effect to the Advance requested, the Borrower shall continue to achieve the DSC ratio set forth in Section 5.01.A herein, to meet all of its debt service obligations, and otherwise to perform and to comply with all other covenants and conditions set forth in this Agreement, and (iii) any other information as CFC may reasonably request. CFC's obligation to make any Advance hereunder is conditioned upon prior receipt and approval of the Borrower's written requisition and other information and documentation, if any, as CFC may have requested pursuant to this paragraph.

**I. Issuance of Bonds.** CFC shall have issued CREBs in an amount not less than the CFC Commitment.

**J. CREB Allocation.** CFC shall have received an allocation in the amount of the CFC Commitment from the U.S. Department of Treasury for the Borrower's Project under its Securities program.

**K. Tax Credit Ineligibility.** There shall have occurred no Determination of Tax Credit Ineligibility with regard to the Borrower or the Project.

**L. Bring Down Certificate.** Two (2) Business Days prior to the Closing Date, the Borrower shall furnish CFC with a certificate of an Authorized Officer of the Borrower in the form of Exhibit B hereto, certifying that all of the representations and warranties set forth in Article II hereof are true on the Closing Date.

## ARTICLE V

## COVENANTS

**Section 5.01 Affirmative Covenants.** The Borrower covenants and agrees with CFC that until payment in full of the Note and performance of all obligations of the Borrower hereunder:

**A. Financial Ratios; Design of Rates.** The Borrower shall achieve an Average DSC Ratio of not less than 1.35. The Borrower shall not decrease its rates for electric service if it has failed to achieve a DSC Ratio of 1.35 for the calendar year prior to such reduction subject only to an order from a Governmental Authority properly exercising jurisdiction over the Borrower.

**B. Loan Proceeds.** The Borrower shall use the proceeds of this Loan solely for the purposes identified on Schedule 1 hereto.

**C. Notice.** The Borrower shall promptly notify CFC in writing of:

(i) any material adverse change in the business, operations, prospects, assets, liabilities or financial condition of the Borrower;

(ii) the institution or threat of any litigation or administrative proceeding of any nature involving the Borrower which could materially affect the business, operations, prospects, assets, liabilities or financial condition of the Borrower;

(iii) the occurrence of an Event of Default hereunder, or any event that, with the giving of notice or lapse of time, or both, would constitute an Event of Default.

**D. Default Notices.** Upon receipt of any notices with respect to a default by the Borrower under the terms of any evidence of any indebtedness with parties other than CFC or of any loan agreement, mortgage or other agreement relating thereto, the Borrower shall deliver copies of such notice to CFC.

**E. Annual Certificates.**

(i) Within one hundred twenty (120) days after the close of each calendar year, commencing with the year in which the initial Advance hereunder shall have been made, the Borrower will deliver to CFC a written statement, in form and substance satisfactory to CFC, signed by the Borrower's General Manager or Chief Executive Officer, stating that during such year, and that to the best of said person's knowledge, the Borrower has fulfilled all of its obligations under this Agreement, the Project Agreement, the Note, and the Mortgage throughout such year or, if there has been a default in the fulfillment of any such obligations, specifying each such default known to said person and the nature and status thereof.

(ii) The Borrower shall deliver to CFC within one hundred twenty (120) days of CFC's written request, which shall be no more frequently than once every year, a certification, in form and substance satisfactory to CFC, regarding the condition of the Mortgaged Property prepared by a professional engineer satisfactory to CFC. The Borrower shall also deliver to CFC such other information as CFC may reasonably request from time to time.

**F. Loan Capital Term Certificate Purchase.** The Borrower will purchase LCTCs, if required, in an amount calculated pursuant to CFC's policies of general application and shall pay for such LCTCs as required thereby. CFC's policies with respect to such LCTCs are set forth in Schedule 1.

**G. Financial Books; Financial Reports; Right of Inspection.** The Borrower will at all times keep, and safely preserve, proper books, records and accounts in which full and true entries will be made of all of the dealings, business and affairs of the Borrower, in accordance with Accounting Requirements. When requested by CFC, the Borrower will prepare and furnish CFC from time to time, periodic financial and statistical reports on its condition and operations. All of such reports shall be in such form and include such information as may be specified by CFC. Within one hundred twenty (120) days of the end of each calendar year during the term hereof, the Borrower shall furnish to CFC a full and complete report of its financial condition and statement of its operations as of the end of such calendar year, in form and substance satisfactory to CFC. In addition, within one hundred twenty (120) days of the end of each the Borrower's fiscal years during the term hereof, the Borrower shall furnish to CFC a full and complete consolidated and consolidating report of its financial condition and statement of its operations as of the end of such fiscal year,

audited and certified by independent certified public accountants nationally recognized or otherwise satisfactory to CFC and accompanied by a report of such audit in form and substance satisfactory to CFC, including without limitation a consolidated and consolidating balance sheet and the related consolidated and consolidating statements of income and cash flow. CFC, through its representatives, shall at all times during reasonable business hours and upon prior notice have access to, and the right to inspect and make copies of, any or all books, records and accounts, and any or all invoices, contracts, leases, payrolls, canceled checks, statements and other documents and papers of every kind belonging to or in the possession of the Borrower or in anyway pertaining to its property or business.

H. **Notice of Additional Secured Debt.** The Borrower will notify CFC promptly in writing if it incurs any additional secured indebtedness other than indebtedness to CFC or indebtedness otherwise provided for in the Mortgage.

I. **Funds Requisition.** The Borrower agrees (i) that CFC may rely conclusively upon the written instructions submitted to CFC in the Borrower's written request for an Advance hereunder, (ii) that such instructions shall constitute a covenant under this Agreement to repay the Advance in accordance with such instructions, the applicable Note, the Mortgage, the Project Agreement and this Agreement, and (iii) to request Advances only for the purposes set forth in Schedule 1 hereto.

J. **Compliance With Laws.** The Borrower and each Subsidiary shall remain in compliance, in all material respects, with all applicable requirements of law and applicable rules and regulations of each Governmental Authority.

K. **Taxes.** The Borrower shall pay, or cause to be paid all taxes, assessments or governmental charges lawfully levied or imposed on or against it and its properties prior to the time they become delinquent, except for any taxes, assessments or charges that are being contested in good faith and with respect to which adequate reserves as determined in good faith by the Borrower have been established and are being maintained.

L. **Further Assurances.** The Borrower shall execute any and all further documents, financing statements, agreements and instruments, and take all such further actions (including the filing and recording of financing statements, fixture filings, mortgages, deeds of trust and other documents), which may be required under any applicable law, or which CFC may reasonably request, to effectuate the transactions contemplated by the Loan Documents or to grant, preserve, protect or perfect the Liens created or intended to be created thereby. The Borrower also agrees to provide to CFC, from time to time upon request, evidence reasonably satisfactory to CFC as to the perfection and priority of the Liens created or intended to be created by the Loan Documents.

M. **Environmental Covenants.** Borrower shall:

(i) at its own cost, comply in all material respects with all applicable Environmental Laws, including, but not limited to, any required remediation; and

(ii) if it receives any written communication alleging Borrower's violation of any Environmental Law, provide CFC with a copy thereof within ten (10) Business Days after receipt, and promptly take appropriate action to remedy, cure, defend, or otherwise affirmatively respond to the matter.

N. **Limitations on Loans, Investments and Other Obligations.** The aggregate amount of all purchases, investments, loans, guarantees, commitments and other obligations described in

Section 5.02.D(i) of this Agreement shall at all times be less than fifteen percent (15%) of Total Utility Plant or fifty percent (50%) of Equity, whichever is greater.

O. **Tax Status of the CREBs.** The Borrower shall utilize the Project or cause it to be utilized as provided in the Project Agreement until the CREB Maturity Date. No use will be made of the proceeds of the CREBs other than as set forth herein and in the Project Agreement and no changes will be made in the Project or in the operation or beneficial use thereof (including, without limiting the generality of the foregoing, the use of the Project by the Borrower or any related person) without an opinion of Bond Counsel that such a use or change will not adversely affect the eligibility of the CREBs to qualify for a tax credit for the owner thereof, for federal income tax purposes. The Borrower agrees and warrants that it will not take or authorize or permit any action to be taken and has not taken or authorized or permitted any action to be taken and will not fail to take any action to comply with the Project Agreement which adversely affects the eligibility of the CREBs to qualify for a tax credit for the owner thereof, for federal income tax purposes. This agreement and warranty shall survive the termination of this Agreement.

P. **Completion Certificate.** The Borrower shall submit to CFC within 30 days after the completion of the Project, a Completion Certificate signed by an Authorized Officer of the Borrower.

Q. **Termination Certificate.** If the Borrower determines that the Project will not be completed as described in Section 5.01.P above, then the Borrower shall submit to CFC a Termination Certificate, within 30 days of a determination that:

(i) no further acquisition, construction or installation will occur with respect to the Project; and

(ii) the Borrower does not intend to make any further Advances.

R. **Other Information.** The Borrower shall furnish such other information as CFC may reasonably require relating to the Project.

**Section 5.02 Negative Covenants.** The Borrower covenants and agrees with CFC that until payment in full of the Note and performance of all obligations of the Borrower hereunder, the Borrower will not, directly or indirectly, without CFC's prior written consent:

A. **Limitations on Mergers.** Consolidate with, merge, or sell all or substantially all of its business or assets, or enter into an agreement for such consolidation, merger or sale, to another entity or person unless such action is either approved, as is evidenced by the prior written consent of CFC, or the purchaser, successor or resulting corporation is or becomes a member in good standing of CFC and assumes the due and punctual payment of the Note and the due and punctual performance of the covenants contained in the Mortgage and this Agreement.

B. **Limitations on Sale, Lease or Transfer of Capital Assets; Application of Proceeds.** Sell, lease or transfer (or enter into an agreement to sell, lease or transfer) any capital asset, except in accordance with this Section 5.02.B. If no Event of Default (and no event which with notice or lapse of time and notice would become an Event of Default) shall have occurred and be continuing, the Borrower may, without the prior written consent of CFC, sell, lease or transfer (or enter into an agreement to sell, lease or transfer) any capital asset in exchange for fair market value consideration paid to the Borrower if the value of such capital asset is less than five percent (5%) of Total Utility Plant and the aggregate value of capital assets sold, leased or transferred in any 12-month period is less than ten percent (10%) of Total Utility Plant.

**C. Limitation on Dividends, Patronage Refunds and Other Distributions.**

(i) Make Distributions in any calendar year if, after giving effect to the Distribution, the total Equity of the Borrower will be less than twenty percent (20%) of its Total Assets.

(ii) If, after giving effect to the Distribution, the total Equity of the Borrower will be less than twenty percent (20%) of its Total Assets, then the Borrower may nevertheless make Distributions of up to thirty percent (30%) of its total margins for the preceding calendar year.

(iii) Notwithstanding anything to the contrary in subparagraphs (i) and (ii) above, the Borrower shall not make any Distribution without the prior written consent of CFC if an Event of Default under this Agreement has occurred and is continuing.

**D. Limitations on Loans, Investments and Other Obligations.**

(i) (a) Purchase, or make any commitment to purchase, any stock, bonds, notes, debentures, or other securities or obligations of or beneficial interests in, (b) make, or enter into a commitment to make, any other investment, monetary or otherwise, in, (c) make, or enter into a commitment to make, any loan to, or (d) guarantee, assume, or otherwise become liable for, or enter into a commitment to guarantee, assume, or otherwise become liable for, any obligation of any Person if, after giving effect to such purchase, investment, loan, guarantee or commitment, the aggregate amount thereof would exceed the greater of fifteen percent (15%) of Total Utility Plant or fifty percent (50%) of Equity.

(ii) The following shall not be included in the limitation of purchases, investments, loans and guarantees in (i) above: (a) bonds, notes, debentures, stock, or other securities or obligations issued by or guaranteed by the United States or any agency or instrumentality thereof; (b) bonds, notes, debentures, stock, commercial paper, subordinated capital certificates, or any other security or obligation issued by CFC or by institutions whose senior unsecured debt obligations are rated by at least two nationally recognized rating organizations in either of their two highest categories; (c) investments incidental to loans made by CFC; (d) any deposit that is fully insured by the United States; (e) loans and grants made by any Governmental Authority to the Borrower under any rural economic development program, but only to the extent that such loans and grants are non-recourse to the Borrower; and (f) unretired patronage capital allocated to the Borrower by CFC, a cooperative from which the Borrower purchases electric power, or a statewide cooperative association of which Borrower is a member.

(iii) In no event may the Borrower take any action pursuant to subsection (i) if an Event of Default under this Agreement has occurred and is continuing,

**E. Organizational Change.** Change its type of organization or other legal structure, except as permitted by Section 5.02.A. hereof, in which case the Borrower shall provide at least 30 days prior written notice to CFC together with all documentation reflecting such change as CFC may reasonably require.

**F. Notice of Change in Borrower Information.** Change its (i) state of incorporation, (ii) legal name, (iii) mailing address, or (iv) organizational identification number, if it has one, unless the Borrower provides written notice to CFC at least thirty (30) days prior to the effective date of any such change together with all documentation reflecting any such change as CFC may reasonably require.

## ARTICLE VI

## EVENTS OF DEFAULT

**Section 6.01** The following shall be "Events of Default" under this Agreement:

**A. Representations and Warranties.** Any representation or warranty made by the Borrower herein, or in any of the other Loan Documents, or in any certificate or financial statement furnished to CFC hereunder or under any of the other Loan Documents shall prove to be false or misleading in any material respect.

**B. Payment.** The Borrower shall fail to pay (whether upon stated maturity, by acceleration, or otherwise) any principal, interest, premium (if any) or other amount payable under the Note and the Loan Documents within five (5) Business Days after the due date thereof.

**C. Other Covenants.**

**(i) No Grace Period.** Failure of the Borrower to observe or perform any covenant or agreement contained in the Project Agreement or in Sections 5.01.A, 5.01.B, 5.01.D, 5.01.E, 5.01.G, 5.01.I, 5.01.N, 5.01.O and 5.02 of this Agreement.

**(ii) Thirty Day Grace Period.** Failure of the Borrower to observe or perform any other covenant or agreement contained in this Agreement or any of the other Loan Documents, which shall remain unremedied for thirty (30) calendar days after written notice thereof shall have been given to the Borrower by CFC.

**D. Legal Existence, Permits and Licenses.** The Borrower shall forfeit or otherwise be deprived of (i) its authority to conduct business in the jurisdiction in which it is organized or in any other jurisdiction where such authority is required in order for the Borrower to conduct its business in such jurisdiction or (ii) permits, easements, consents or licenses required to carry on any material portion of its business.

**E. Other CFC Obligations.** The Borrower shall be in breach or default of any Obligation, which breach or default continues uncured beyond the expiration of any applicable grace period.

**F. Other Obligations.** The Borrower shall (i) fail to make any payment of any principal, premium or any other amount due or interest on any indebtedness with parties other than CFC which shall remain unpaid beyond the expiration of any applicable grace period, or (ii) be in breach or default with respect to any other term of any evidence of any other indebtedness with parties other than CFC or of any loan agreement, mortgage or other agreement relating thereto which breach or default continues uncured beyond the expiration of any applicable grace period, if the effect of such failure, default or breach is to cause the holder or holders of that indebtedness to cause that indebtedness to become or be declared due prior to its stated maturity (upon the giving or receiving of notice, lapse of time, both or otherwise).

**G. Involuntary Bankruptcy.** An involuntary case or other proceeding shall be commenced against the Borrower seeking liquidation, reorganization or other relief with respect to it or its debts under bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property and such involuntary case or other proceeding shall continue without dismissal or

stay for a period of sixty (60) days; or an order for relief shall be entered against the Borrower under the federal bankruptcy laws or applicable state law as now or hereafter in effect.

**H. Insolvency.** The Borrower shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall admit in writing its inability to, or be generally unable to, pay its debts as they become due, or shall take any action to authorize any of the foregoing.

**I. Dissolution or Liquidation.** Other than as provided in subsection H. above, the dissolution or liquidation of the Borrower, or failure by the Borrower promptly to forestall or remove any execution, garnishment or attachment of such consequence as will impair its ability to continue its business or fulfill its obligations and such execution, garnishment or attachment shall not be vacated within sixty (60) days. The term "dissolution or liquidation of the Borrower", as used in this subsection, shall not be construed to include the cessation of the corporate existence of the Borrower resulting either from a merger or consolidation of the Borrower into or with another corporation following a transfer of all or substantially all its assets as an entirety, under the conditions set forth in Section 5.02.A.

**J. Material Adverse Change.** Any material adverse change in the business or condition, financial or otherwise, of the Borrower.

**K. Monetary Judgment.** The Borrower shall suffer any money judgment not covered by insurance, writ or warrant of attachment or similar process involving an amount in excess of $100,000 and shall not discharge, vacate, bond or stay the same within a period of sixty (60) days.

**L. Nonmonetary Judgment.** One or more nonmonetary judgments or orders (including, without limitation, injunctions, writs or warrants of attachment, garnishment, execution, distraint, replevin or similar process) shall be rendered against the Borrower that, either individually or in the aggregate, could reasonably be expected to have a material adverse effect upon the business, operations, prospects, assets, liabilities or financial condition of the Borrower.

## ARTICLE VII

## REMEDIES

**Section 7.01** If any of the Events of Default listed in Section 6 hereof shall occur after the date of this Agreement and shall not have been remedied within the applicable grace periods specified therein, then CFC may:

(i) Cease making Advances hereunder;

(ii) Declare all unpaid principal outstanding on the Note, all accrued and unpaid interest thereon, and all other Obligations to be immediately due and payable and the same shall thereupon become immediately due and payable without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived;

(iii) Exercise rights of setoff or recoupment and apply any and all amounts held, or hereby held, by CFC or owed to the Borrower or for the credit or account of the Borrower against any and all of the Obligations of the Borrower now or hereafter existing hereunder or under the Note, including, but not limited to, patronage capital allocations and retirements, money due to Borrower from equity certificates purchased from CFC, and any membership or other fees that would otherwise be returned to Borrower but excluding any LCTCs purchased by the Borrower pursuant to this Agreement. The rights of CFC under this section are in addition to any other rights and remedies (including other rights of setoff or recoupment) which CFC may have. The Borrower waives all rights of setoff, deduction, recoupment or counterclaim;

(iv) Pursue all rights and remedies available to CFC that are contemplated by the Mortgage and the other Loan Documents in the manner, upon the conditions, and with the effect provided in the Mortgage and the other Loan Documents, including, but not limited to, a suit for specific performance, injunctive relief or damages;

(v) Pursue any other rights and remedies available to CFC at law or in equity.

Nothing herein shall limit the right of CFC to pursue all rights and remedies available to a creditor following the occurrence of an Event of Default. Each right, power and remedy of CFC shall be cumulative and concurrent, and recourse to one or more rights or remedies shall not constitute a waiver of any other right, power or remedy.

## ARTICLE VIII

## MISCELLANEOUS

**Section 8.01 Notices.** All notices, requests and other communications provided for herein including, without limitation, any modifications of, or waivers, requests or consents under, this Agreement shall be given or made in writing (including, without limitation, by telecopy) and delivered to the intended recipient at the "Address for Notices" specified below; or, as to any party, at such other address as shall be designated by such party in a notice to each other party. All such communications shall be deemed to have been duly given (i) when personally delivered including, without limitation, by overnight mail or courier service, (ii) in the case of notice by United States mail, certified or registered, postage prepaid, return receipt requested, upon receipt thereof, or (iii) in the case of notice by telecopy, upon transmission thereof, provided such transmission is promptly confirmed by either of the methods set forth in clauses (i) or (ii) above in each case given or addressed as provided for herein. The Address for Notices of each of the respective parties is as follows:

National Rural Utilities Cooperative Finance Corporation
2201 Cooperative Way
Herndon, Virginia 20171-3025
Attention: Senior Vice President – Member Services
Fax # 703-709-6776

The Borrower:

The address set forth in
Schedule 1 hereto

**Section 8.02 Expenses.** Borrower shall reimburse CFC for any reasonable costs and out-of-pocket expenses paid or incurred by CFC (including, without limitation, reasonable fees and expenses of outside attorneys, paralegals and consultants) for all actions CFC takes, (a) to enforce the payment of any Obligation, to effect collection of any Mortgaged Property, or in preparation for such enforcement or collection, (b) to institute, maintain, preserve, enforce and foreclose on CFC's security interest in or Lien on any of the Mortgaged Property, whether through judicial proceedings or otherwise, (c) to restructure any of the Obligations, (d) to review, approve or grant any consents or waivers hereunder, (e) to prepare, negotiate, execute, deliver, review, amend or modify this Agreement, (f) to prepare, negotiate, execute, deliver, review, amend or modify any other agreements, documents and instruments deemed necessary or appropriate by CFC in connection with any of the foregoing, and (g) to obtain any opinions required to be furnished upon a Determination of Tax Credit Ineligibility and an extraordinary prepayment as set forth in Section 3.04 hereof or a rescission of excess money as set forth in Section 3.05 or a cancellation of excess moneys as set forth in Section 3.06.

The amount of all such expenses identified in this Section 8.02 shall be secured by the Mortgage and shall be payable upon demand, and if not paid, shall accrue interest at the Default Rate.

**Section 8.03 Late Payments.** If payment of any amount due hereunder is not received at CFC's office in Herndon, Virginia, or such other location as CFC may designate to the Borrower within five (5) Business Days after the due date thereof, the Borrower will pay to CFC, in addition to all other amounts due under the terms of the Loan Documents, any late payment charge as may be fixed by CFC from time to time pursuant to its policies of general application as in effect from time to time.

**Section 8.04. Non-Business Day Payments.** If any payment to be made by the Borrower hereunder shall become due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall be included in computing any interest in respect of such payment.

**Section 8.05 Filing Fees.** To the extent permitted by law, the Borrower agrees to pay all expenses of CFC (including the reasonable fees and expenses of its counsel) in connection with the filing, registration, recordation or perfection of the Mortgage and any other security instruments as may be required by CFC in connection with this Agreement, including, without limitation, all documentary stamps, recordation and transfer taxes and other costs and taxes incident to execution, filing, registration or recordation of any document or instrument in connection herewith. The Borrower agrees to save harmless and indemnify CFC from and against any liability resulting from the failure to pay any required documentary stamps, recordation and transfer taxes, recording costs, or any other expenses incurred by CFC in connection with this Agreement. The provisions of this subsection shall survive the execution and delivery of this Agreement and the payment of all other amounts due under the Loan Documents.

**Section 8.06 Waiver; Modification.** No failure on the part of CFC to exercise, and no delay in exercising, any right or power hereunder or under the other Loan Documents shall operate as a waiver thereof, nor shall any single or partial exercise by CFC of any right hereunder, or any abandonment or discontinuance of steps to enforce such right or power, preclude any other or further exercise thereof or the exercise of any other right or power. No modification or waiver of any provision of this Agreement, the Note or the other Loan Documents and no consent to any departure by the Borrower therefrom shall in any event be effective unless the same shall be in writing by the

party granting such modification, waiver or consent, and then such modification, waiver or consent shall be effective only in the specific instance and for the purpose for which given.

**SECTION 8.07 GOVERNING LAW; SUBMISSION TO JURISDICTION; WAIVER OF JURY TRIAL.**

(A) THE PERFORMANCE AND CONSTRUCTION OF THIS AGREEMENT AND THE NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE COMMONWEALTH OF VIRGINIA.

(B) THE BORROWER HEREBY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF THE UNITED STATES COURTS LOCATED IN VIRGINIA AND OF ANY STATE COURT SO LOCATED FOR PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. THE BORROWER IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTIONS THAT IT MAY NOW OR HEREAFTER HAVE TO THE ESTABLISHING OF THE VENUE OF ANY SUCH PROCEEDINGS BROUGHT IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

(C) THE BORROWER AND CFC EACH HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

**SECTION 8.08 INDEMNIFICATION.** THE BORROWER HEREBY INDEMNIFIES AND AGREES TO HOLD HARMLESS, AND DEFEND CFC AND ITS MEMBERS, DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, ATTORNEYS AND REPRESENTATIVES (EACH AN "INDEMNITEE") FOR, FROM, AND AGAINST ALL CLAIMS, DAMAGES, LOSSES, LIABILITIES, COSTS, AND EXPENSES (INCLUDING, WITHOUT LIMITATION, COSTS AND EXPENSES OF LITIGATION AND REASONABLE ATTORNEYS' FEES) ARISING FROM ANY CLAIM OR DEMAND IN RESPECT OF THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS, THE MORTGAGED PROPERTY, OR THE TRANSACTIONS DESCRIBED IN THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS AND ARISING AT ANY TIME, WHETHER BEFORE OR AFTER PAYMENT AND PERFORMANCE OF ALL OBLIGATIONS UNDER THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS IN FULL, EXCEPTING ANY SUCH MATTERS ARISING SOLELY FROM THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF CFC OR ANY INDEMNITEE INCLUDING WITHOUT LIMITATION ANY DETERMINATION MADE OR OTHER ACTION TAKEN BY CFC PURSUANT TO SECTIONS 3.04, 3.05 and 3.06 OF THIS AGREEMENT. NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN SECTION 8.10 HEREOF, THE OBLIGATIONS IMPOSED UPON THE BORROWER BY THIS SECTION SHALL SURVIVE THE REPAYMENT OF THE NOTE, THE TERMINATION OF THIS AGREEMENT AND THE TERMINATION OR RELEASE OF THE LIEN OF THE MORTGAGE.

**Section 8.09 Complete Agreement.** This Agreement, together with the schedules to this Agreement, the Note and the other Loan Documents, and the other agreements and matters referred to herein or by their terms referring hereto, is intended by the parties as a final expression of their agreement and is intended as a complete statement of the terms and conditions of their agreement. In the event of any conflict in the terms and provisions of this Agreement and any other Loan Documents, the terms and provisions of this Agreement shall control.

**Section 8.10 Survival; Successors and Assigns.** All covenants, agreements, representations and warranties of the Borrower which are contained in this Agreement shall survive the execution and delivery to CFC of the Loan Documents and the making of the Loan hereunder and shall continue in full force and effect until all of the obligations under the Loan Documents have been paid in full. All covenants, agreements, representations and warranties of the Borrower which are contained in this Agreement shall inure to the benefit of the successors and assigns of CFC. The Borrower shall not have the right to assign its rights or obligations under this Agreement without the prior written consent of CFC, except as provided in Section 5.02.A hereof.

**Section 8.11 Use of Terms.** The use of the singular herein shall also refer to the plural, and vice versa.

**Section 8.12 Headings.** The headings and sub-headings contained in this Agreement are intended to be used for convenience only and do not constitute part of this Agreement.

**Section 8.13 Severability.** If any term, provision or condition, or any part thereof, of this Agreement, the Note or the other Loan Documents shall for any reason be found or held invalid or unenforceable by any governmental agency or court of competent jurisdiction, such invalidity or unenforceability shall not affect the remainder of such term, provision or condition nor any other term, provision or condition, and this Agreement, the Note and the other Loan Documents shall survive and be construed as if such invalid or unenforceable term, provision or condition had not been contained therein.

**Section 8.14 Binding Effect.** This Agreement shall become effective when it shall have been executed by both the Borrower and CFC and thereafter shall be binding upon and inure to the benefit of the Borrower and CFC and their respective successors and assigns.

**Section 8.15 Counterparts.** This Agreement may be executed in one or more counterparts, each of which will be deemed an original and all of which together will constitute one and the same document. Signature pages may be detached from the counterparts and attached to a single copy of this Agreement to physically form one document.

**Section 8.16 Disclosure.** This Agreement and any other Loan Document may be shared by CFC with such Persons as shall be required in order to facilitate the issuance of the CREBs, including, but not limited to, its attorneys, underwriters and investors in the CREBs.

**Section 8.17 Schedule 1.** Schedule 1 attached hereto is an integral part of this Agreement.

**IN WITNESS WHEREOF,** the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

SULPHUR SPRINGS VALLEY
ELECTRIC COOPERATIVE, INC.

(SEAL)

By: Gene Manning

Title: President

Attest: _____
~~Secretary~~

CREDEN W. HUBER
CHIEF EXECUTIVE OFFICER

NATIONAL RURAL UTILITIES
COOPERATIVE FINANCE CORPORATION

(SEAL)

By: Marianne Dusold
Assistant Secretary-Treasurer

**MARIANNE L DUSOLD**

Attest: _____
Assistant Secretary-Treasurer

**CRAIG COLANTONI**

## SCHEDULE 1

1. The purpose of this loan is to finance (i) the reimbursement of the cost of the Project of the Borrower, including any reasonable costs and expenses incurred by the Borrower in connection with financing the Project, as described and permitted by the terms of the Project Agreement and (ii) a portion of CFC's costs in issuing the CREBs as set forth in Section 3.02.A.

2. The Project of the Borrower being financed by the Loan (funded by proceeds of the CREBs) constitutes the following clean renewable energy facilities:

   Cochise Elementary District Photovoltaic Solar Automobile Parking Shade Structure

   This project will place a photovoltaic module that will produce 23 kW of electricity in the shade structure at the Cochise Elementary School. The PV structure will provide electricity to the school with excess power flowing to the Borrower's system.

3. Subject to the terms of this Agreement, CFC has agreed to loan to the Borrower from proceeds of the CREBs, an amount not to exceed $280,000.00 (the "CFC Commitment").

4. Draw Period shall mean the period beginning on the Closing Date and ending on the date that is five (5) years thereafter.

5. The Borrower shall not purchase the LCTCs or any portion thereof with funds from the Loan. The Borrower shall use its own funds or funds borrowed under another credit facility to purchase such LCTCs, subject to the CFC policies regarding LCTCs set forth in the following paragraph.

   **CFC Policies Regarding LCTCs:** (i) Any solvent Member of CFC with an outstanding LCTC purchased in connection with a loan from the proceeds of Securities may borrow the outstanding amount of the LCTC from CFC without a further credit review, for a term equal to or shorter than the maturity of the LCTC at a rate equal to the comparable rate charged by CFC for similarly classified loans; and (ii) any Member of CFC with an outstanding LCTC purchased in connection with a loan from the proceeds of Securities may sell such LCTC to another Member of CFC for consideration.

6. The Mortgage shall mean the Restated Mortgage and Security Agreement, dated as of December 6, 2007, between the Borrower and CFC, as it may have been supplemented, amended, consolidated, or restated from time to time.

7. The Note executed pursuant hereto is as follows:

| LOAN NUMBER | AMOUNT |
|---|---|
| AZ014-A-9036-CB001 | $280,000.00 |

8. The Subsidiaries of the Borrower referred to in Section 2.01.B. are: None

9. The date of the Borrower's balance sheet referred to in Section 2.01.H is June 30, 2006.

10. The Borrower's exact legal name is: Sulphur Springs Valley Electric Cooperative, Inc.

11. The Borrower's organizational type is: Corporation

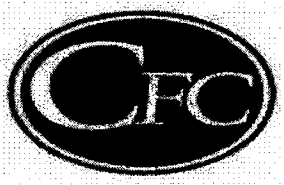
12. The Borrower is organized under the laws of the state of: Arizona

13. The Borrower's organizational identification number is: 0038220-2

14. The place of business or, if more than one, the chief executive office of the Borrower referred to in Section 2.01.I is 311 East Wilcox, Sierra Vista, Arizona 85635.

15. The Governmental Authority referred to in Section 2.01.J. is: Arizona Corporation Commission

16. The address for notices to the Borrower referred to in Section 8.01 is 311 East Wilcox, Sierra Vista, Arizona 85635, Attention: General Manager, Fax: (520) 384-5223.



## Exhibit A - Funds Requisition Statement

Borrower Name & ID: Sulphur Springs Valley Electric Cooperative, Inc. (AZ014)
Loan Number: AZ014-A-9036-CB001
Loan Agreement and Project Agreement with CFC dated:
CREBs Series: 2008A
CFC CREBs Application #: 6
Name of Project: Cochise Elementary District Photovoltaic Solar Automobile Parking Shade Structure
Funds Requisition Statement No.:

**Amount Requested:**
**Date Of Advance:**

**Disposition of Funds (wiring instructions):**

### Certification

Acting on behalf of the Borrower, I hereby certify that as of the date below: (1) I am duly authorized to make this certification and to request funds on the terms specified herein; (2) the Borrower has met all of the conditions contained in the Loan Agreement and the Project Agreement listed above governing the terms of this Advance that the Borrower is required to meet prior to an Advance of funds; (3) all of the representations and warranties contained in said Loan Agreement and Project Agreement are true and will continue to be true upon use of the funds as hereby requested; (4) no Event of Default, under the Loan Agreement or the Borrower's Mortgage, has occurred and is continuing; (5) I know of no other event that has occurred which, with the lapse of time and/or notification to CFC of such event, or after giving effect to this Advance, would become an Event of Default under the Loan Agreement or the Borrower's Mortgage; (6) the funds requested herein will be used only as a reimbursement for the purposes specified in the Loan Agreement and the Project Agreement; (7) the costs to be reimbursed by the funds requested herein are capital expenditures and have not previously been reimbursed under a previous Funds Requisition Statement; (8) the Borrower has secured sufficient funds to complete the Project; (9) any necessary permits and approvals required for the Project at this point have been obtained; (10) the Borrower is maintaining a file containing true and correct copies of invoices or bills of sale covering all items for which payment is sought by this request; (11) such costs have been incurred and paid by the Borrower in connection with the Project; (12) the Borrower is not using the funds requested hereby to make any payments of principal or interest due under the Loan Agreement; (13) no expenditure which is being reimbursed by the funds requested hereby was paid more than eighteen months after the later of (i) the date the expenditure is paid or (ii) the date the Project is placed in service, but in no event later than three years after the date the original expenditure was paid; and (14) set forth below is a table listing all of the major components of the Project, how much is being requested in this Funds Requisition Statement as an advance for certain components, how much has been advanced on each component to date, the percentage of each component that is completed

to date, and the purpose of the advance(s) being requested by this Funds Requisition Statement.

I hereby authorize CFC, for and on behalf of the Borrower, to forward this Funds Requisition Statement to the Trustee for disbursement of the Advance from the Project Account relating to the above Loan to the Borrower on the following terms, and hereby acknowledge and agree that such terms shall be binding upon Borrower under the provisions of the Loan Agreement governing this Advance:

| Project Component | Amount Expended to Date by Borrower | Amount Advanced to Date | Advance Amount Requested Herein | Percentage Complete |
|---|---|---|---|---|
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| Total | | | | |

Certified By:

_____ _____ _____

Signature Date Title of Authorized Officer

**PLEASE FAX TO 703-709-6776 ATTN: _____, Associate Vice President**

APPROVED:

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION

By: _____
Title: _____
Date: _____

**EXHIBIT B**

**BRING-DOWN CERTIFICATE**
**OF**
**BORROWER**

The undersigned, _____, duly qualified officers of SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (the *"Borrower"*), an Arizona corporation, hereby certify as follows:

1. The following documents have been duly executed, and delivered or accepted in the name and on behalf of the Borrower by the authorized officer or officers of the Borrower pursuant to, and in full compliance with, authority granted by the Board of Trustees/Directors of the Borrower:

| DOCUMENT | DATE | OTHER PARTY OR PARTIES |
|---|---|---|
| Loan Agreement (the *"Agreement"*) | _____, 200_ | National Rural Utilities Cooperative Finance Corporation (*"CFC"*) |
| Project Agreement (the *"Project Agreement"*) | _____, 200_ | |
| Note (the *"Note"*) | _____, 200_ | |

2. Each of the representations and warranties of the Borrower in the Loan Agreement and the Project Agreement are true and correct on and as of the date hereof (the *"Closing Date"*), and the Borrower has complied with all agreements and satisfied all conditions on its part to be observed or satisfied thereunder at or prior to the Closing Date.

IN WITNESS WHEREOF, the undersigned have hereunto set their signatures this ____ day of _____, 2008.

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

By _____
Title:

By _____
Title:

**EXHIBIT C**

**COMPLETION CERTIFICATE**
**OF**
**BORROWER**

Pursuant to the Loan Agreement dated as of _____ by and between SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (the "Borrower") and National Rural Utilities Cooperative Finance Corporation ("CFC") relating to CFC Loan Number AZ014-A-9036-CB001 (the "Loan Agreement"), the undersigned, _____, duly qualified officer of the Borrower, hereby certifies as follows:

(i) On [date of completion] all portions of the Project (as defined in the Loan Agreement) have been fully completed substantially in accordance with any plans and specifications therefore, as then amended; and

(ii) Amount advanced on the Loan (as defined in the Loan Agreement) and the use of the property financed, refinanced or reimbursed therefrom will not cause any of the representations or certifications contained in the Project Agreement (as defined in the Loan Agreement) to be untrue or result in a violation of any covenant in the Project Agreement.

IN WITNESS WHEREOF, the undersigned have hereunto set his/her signature this ____ day of _____, 20____.

SULPHUR SPRINGS VALLEY ELECTRIC
COOPERATIVE, INC.

By _____
Title:

**EXHIBIT D**

**TERMINATION CERTIFICATE**
**OF**
**BORROWER**

Pursuant to the Loan Agreement dated as of _____ by and between SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (the "Borrower") and National Rural Utilities Cooperative Finance Corporation ("CFC") relating to CFC Loan Number AZ014-A-9036-CB001 (the "Loan Agreement"), the undersigned, _____, duly qualified officer of the Borrower, hereby certifies as follows:

(i) all portions of the Project (as defined in the Loan Agreement) have not been fully completed substantially in accordance with any plans and specifications therefor, as then amended;

(ii) no further acquisition, construction or installation will occur with respect to the Project (as defined in the Loan Agreement); and

(iii) the Borrower does not intend to request any further Advances (as defined in the Loan Agreement) on the Loan (as defined in the Loan Agreement).

IN WITNESS WHEREOF, the undersigned have hereunto set his/her signature this ____ day of _____, 20____.

SULPHUR SPRINGS VALLEY ELECTRIC
COOPERATIVE, INC.

By _____
Title:

**SECURED PROMISSORY NOTE**

$280,000.00 dated as of 12/21/2007

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC., an Arizona corporation (the "Borrower"), for value received, hereby promises to pay, without setoff, deduction, recoupment or counterclaim, to the order of NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION (the "Payee"), at its office in Herndon, Virginia office or such other location at its office in Herndon, Virginia or such other location as the Payee may designate to the Borrower, in lawful money of the United States, the principal sum of TWO HUNDRED EIGHTY THOUSAND AND 00/100 DOLLARS ($280,000.00), or such lesser sum of the aggregate unpaid principal amount of all advances made by the Payee pursuant to that certain Loan Agreement dated as of even date herewith between the Borrower and the Payee, as it may be amended from time to time (herein called the "Loan Agreement"), and to pay interest on all amounts remaining unpaid hereunder from the date of each advance in like money, at said office, at the rate and in amounts and payable on the dates provided in the Loan Agreement together with any other amount payable under the Loan Agreement. If not sooner paid, any balance of the principal amount and interest accrued thereon shall be due and payable on the Maturity Date.

This Note is secured under a Restated Mortgage and Security Agreement, dated of December 6, 2007 between the Borrower and the Payee, as it may have been or shall be supplemented, amended, consolidated or restated from time to time ("Mortgage"). This Note is one of the Notes referred to in, and has been executed and delivered pursuant to, the Loan Agreement.

The principal hereof and interest accrued thereon and any other amount due under the Loan Agreement may be declared to be forthwith due and payable in the manner, upon the conditions, and with the effect provided in the Mortgage or the Loan Agreement.

The Borrower waives demand, presentment for payment, notice of dishonor, protest, notice of protest, and notice of non-payment of this Note.

IN WITNESS WHEREOF the Borrower has caused this Note to be signed in its corporate name and its corporate seal to be hereunto affixed and to be attested by its duly authorized officers, all as of the day and year first above written.

SULPHUR SPRINGS VALLEY
ELECTRIC COOPERATIVE, INC.

(SEAL)

By: Gene Manning

Title: President

Attest: _____
~~Secretary~~

CREDEN W. HUBER
CHIEF EXECUTIVE OFFICER

Loan No. AZ014-A-9037-CB001

CFC NOTE
AZ014-A-9037-CB001 (JABLONJ)
116038-2

PROJECT AGREEMENT

OF

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (THE *"BORROWER"*)

DATED: as of 12/21/2007

The undersigned is a duly qualified officer of the Borrower named above and, as such officer, is familiar with (i) the properties, affairs and records of the Borrower, (ii) the issuance of the Securities (as hereinafter defined) and the use of the proceeds thereof as it relates to the Borrower and (iii) the Project, as hereinafter defined.

In connection with the issuance of the Clean Renewable Energy Bonds (Cooperative Renewable Energy Projects) Series 2008A (the *"Securities"*), being issued by the National Rural Utilities Cooperative Finance Corporation (the *"Issuer"*), the undersigned hereby certifies and covenants regarding the use of the proceeds of the Securities advanced to the Borrower, as follows:

1. General.

1.1 This Project Agreement is made pursuant to Section 54 of the Internal Revenue Code of 1986, as amended (the *"Code"*), and any United States Treasury regulations and other guidance thereunder to make the certifications required by Section 54 of the Code and any United Stares Treasury regulations and other guidance thereunder and to establish the reasonable expectations of the Borrower with respect to the amount and use of amounts to be advanced to the Borrower pursuant to the Loan Agreement dated as of even date herewith between the Issuer and the Borrower (the *"Loan Agreement"*). Capitalized terms used herein are defined where they first appear or are defined in *Exhibit A* attached hereto.

1.2 This Project Agreement is based on facts and estimates in existence on the date hereof and the continued veracity of these facts and estimates as of the date that the Securities are issued (the *"Closing"*) will be confirmed by the Borrower on the date of Closing, and on the basis of such facts and estimates, the Borrower expects that the events described herein will occur. To the best of the undersigned's knowledge, information, and belief, the expectations contained in this Project Agreement are reasonable.

1.3 The Borrower is a Qualified Borrower, as defined in *Exhibit A,* and is responsible for the acquiring/constructing/equipping of the Project (defined below). The undersigned has reviewed this Project Agreement, as well as the provisions of Section 54 of the Code and any United States Treasury regulations and other guidance thereunder, with its own legal counsel and understands and is familiar with this Project Agreement and the provisions of Section 54 and any United States Treasury regulations and other guidance thereunder. The Borrower will

comply in all respects with the provisions of Section 54 and any United States Treasury regulations and other guidance thereunder.

1.4 The Borrower agrees to keep and retain or cause to be kept and retained sufficient records to demonstrate compliance with the covenants in this Project Agreement. Such records shall include, but are not limited to, basic records relating to the issuance of the Securities (including this Project Agreement and the inducement resolution as described in Section 3.3 hereof); documentation evidencing the expenditure of amounts advanced to the Borrower pursuant to the Loan Agreement; documentation evidencing the use of property financed with amounts advanced to the Borrower pursuant to the Loan Agreement; and documentation evidencing all sources of payment or security maintained by the Borrower for amounts advanced to the Borrower pursuant to the Loan Agreement. Such records shall be kept until the date three (3) years after the CREB Maturity Date.

1.5 Neither the Borrower nor any Related Person (as defined in Exhibit A) to the Borrower will purchase any Securities.

2. Qualified Project.

2.1 The Loan Agreement requires the amounts advanced thereunder to be used for facilities to be owned by the Borrower, described in more detail in Section 2.2 hereof and in *Exhibit B* attached hereto as the "Updated Description of the Project" (the *"Project"*). The Project was originally described in an exhibit to the Application for National Clean Renewable Energy Bond Limitation submitted to the Internal Revenue Service by the Issuer in support of the national clean renewable energy bond allocation received by the Issuer, which "Original Description of the Project" is attached hereto as *Exhibit C.*

2.2 The Project is a Solar Energy Facility (the *"Qualifying Facility"*), as defined in *Exhibit A* and property functionally related and subordinate thereto, as further described in *Exhibit B,* attached hereto.

3. Clean Renewable Energy Bonds Qualification.

3.1 At least 95 percent of the proceeds advanced to the Borrower pursuant to the Loan Agreement will be used by the Borrower for capital expenditures with respect to the Project. None of the proceeds of the Loan (as defined in the Loan Agreement) will be paid to the Issuer, the Borrower or any Related Person to the Issuer or the Borrower, except for amounts paid to the Borrower to reimburse the Borrower for actual and direct expenditures relating to the Project paid by the Borrower to persons other than the Issuer, the Borrower or any Related Person to the Issuer or the Borrower.

3.2 The Borrower has incurred or will, within six months of the Closing Date, incur a substantial binding obligation (not subject to contingencies within the control of the Issuer, the Borrower or any Related Person to either of them) to a third party

to expend at least ten percent of the Loan Amount (*i.e.* the total amount to be advanced to the Borrower pursuant to the Loan Agreement). It is expected that the work of acquiring/constructing/equipping the Project and the expenditure of the Loan Amount will proceed with due diligence through November 17, 2008, at which time it is anticipated that the Loan Amount will have been spent in its entirety. The Borrower acknowledges that, to the extent that less than 95 percent of the Loan Amount is expended by a date five years from the date of issuance of the Securities, the Borrower will be required to prepay its Loan in an amount, and the Issuer will redeem Securities at the end of such five-year period in an amount, necessary to maintain the tax credit with respect to the Securities, unless otherwise permitted by Section 6.5 hereof.

It is expected that all amounts advanced to the Borrower under the Loan Agreement will be spent to pay costs of the Project in accordance with the estimated periodic drawdown schedule contained in *Exhibit D,* attached hereto. The assumptions set forth in this Section 3.2 and on *Exhibit D,* attached hereto, represent the Borrower's best estimate, as of this date, of the periodic drawdown schedule of the Loan Amount.

3.3 The Borrower may use amounts advanced to the Borrower under the Loan Agreement to reimburse itself for expenditures paid prior to the date of issuance of the Securities. The Borrower shall reimburse itself for expenditures paid prior to the date of issuance of the Securities only if such expenditure was paid after the Borrower adopted an inducement resolution, and the expenditure is described in such inducement resolution.

**The Borrower shall use proceeds of the Loan to reimburse itself for expenditures paid prior to the date the Securities were issued only if such reimbursement is made within eighteen months after the later of (i) the date the expenditure is paid or (ii) the date the Project is placed in service, but in no event later than three years after the date the original expenditure was paid.**

Except for any reimbursement allowed under this Section 3.3, no portion of the proceeds advanced to the Borrower will be used to pay for expenditures relating to acquiring existing facilities (as contrasted with costs of enhancements, repair or rehabilitation of existing facilities).

3.4 Neither the Project nor any portion thereof has been, is expected to be, or will be sold or otherwise disposed of, in whole or in part, prior to the last maturity date of the Securities.

3.5 The Borrower has entered into the Loan Agreement of even date hereof under which it is committed to borrow $280,000 from the Issuer of the Securities and the Borrower reasonably expects to borrow and expend the full amount of such commitment.

3.6 At least 75% of the Loan Amount is expected to be used for Construction Purposes.

3.7 The Borrower will not use proceeds of the Loan (i) to pre-pay for goods or services to be received over a period of years prior to the date such goods or services are to be received, or (ii) to pay for or otherwise acquire goods or services from an Affiliated Person, as defined in *Exhibit A*.

3.8 The Borrower shall at all times be a Qualified Borrower.

4. Remedial Action.

4.1 The Borrower agrees to operate the Project as a Qualifying Facility.

The Borrower acknowledges that if property financed with proceeds of the Securities advanced to the Borrower is operated in a manner other than as a Qualifying Facility such operation may constitute a "deliberate action" that may require remedial actions to prevent the tax credit being produced by the Securities from being disallowed.

The Borrower shall promptly contact the Issuer as provided in Section 6.3 hereof if it considers operating property financed with proceeds of the Loan other than as a Qualifying Facility.

4.2 The Borrower acknowledges that if property financed with proceeds of the Loan is sold or otherwise disposed of in a manner contrary to the provisions of Section 3.4 hereof, such sale or disposition may constitute a "deliberate action" that may require remedial actions to prevent the tax credit being produced by the Securities from being disallowed. If the Borrower considers the sale or other disposition of property financed with proceeds of the Loan, it shall promptly contact the Issuer, in the manner set forth in Section 6.3 hereof.

5. Funds and Accounts; Investments.

5.1 After the issuance of the Securities, neither the Borrower nor any Related Person to the Borrower has or will have any property, including cash, securities or any other property held as a passive vehicle for the production of income or for investment purposes, that constitutes:

(i) amounts that have a sufficiently direct nexus to the Securities or to the governmental purpose of the Securities to conclude that the amounts would have been used for that governmental purpose if the Securities were not used or to be used for that governmental purpose (the mere availability or preliminary earmarking of such amounts for a governmental purpose, however, does not itself establish such a sufficient nexus);

(ii) amounts in a debt service fund, redemption fund, reserve fund, replacement fund or any similar fund to the extent reasonably expected to be used directly or indirectly to pay principal of or interest on the Securities or any amounts for which there is provided, directly or indirectly, a reasonable assurance that the amount will be available to pay principal of or interest on the Securities or any credit enhancement or liquidity device with respect to the Securities, even if the Issuer, the Borrower or any Related Person to either of them encounter financial difficulties; or

(iii) any amounts held pursuant to any agreement (such as an agreement to maintain certain levels of types of assets) made for the benefit of the holders of the Securities or any credit enhancement provider, including any liquidity device or negative pledge (*e.g.*, any amount pledged to pay principal of or interest on an issue held under an agreement to maintain the amount at a particular level for the direct or indirect benefit of holders of the Securities or a guarantor of the Securities).

No compensating balance, liquidity account, negative pledge of property held for investment purposes required to be maintained at least at a particular level or similar arrangement exists with respect to, in any way, the Securities or any credit enhancement or liquidity device related to the Securities.

5.2 During the acquiring/constructing/equipping of the Project, the Borrower will only draw down amounts from the Issuer for capital expenditures already paid by the Borrower.

5.3 Neither the Borrower nor any Related Person to the Borrower will enter into any hedge (*e.g.*, an interest rate swap, interest rate cap, futures contract, forward contract or an option) with respect to the Loan or the Securities.

5.4 All property subject to the Mortgage is and will be used by the Borrower in the conduct of its trade or business. The Borrower reasonably expects to repay the Loan from current operating revenues. The Mortgage does not require that cash, securities, obligations, annuity contracts or other property held principally as a passive vehicle for the production of income be maintained, individually or collectively, at any particular level.

6. Miscellaneous.

6.1 This Project Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia.

6.2 Prior to the date 15 days before the Securities were sold, neither the Borrower nor any Related Person to the Borrower has sold or delivered any obligations that are reasonably expected to be paid out of substantially the same source of funds as the Securities. Neither the Borrower nor any Related Person to the Borrower will sell

or deliver within 15 days after the date hereof any obligations that are reasonably expected to be paid out of substantially the same source of funds as the Securities.

6.3 All notices provided for herein shall be given or made in writing (including, without limitation, by telecopy) and delivered to the Issuer at the "Address for Notices" specified below. All such communications shall be deemed to have been duly given (i) when personally delivered including, without limitation, by overnight mail or courier service, (ii) in the case of notice by United States mail, certified or registered, postage prepaid, return receipt requested, upon receipt thereof, or (iii) in the case of notice by telecopy, upon transmission thereof, provided such transmission is promptly confirmed by either of the methods set forth in clauses (i) or (ii) above in each case given or addressed as provided for herein. The Address for Notices of the Issuer is as follows:

National Rural Utilities Cooperative Finance Corporation
2201 Cooperative Way
Herndon, Virginia 20171-3025
Attention: Senior Vice President – Member Services
Fax #703-709-6776

6.4 The Borrower represents that it has not been contacted by the Internal Revenue Service or any issuer of bonds, the proceeds of which were loaned to the Borrower regarding any examination of any tax exempt bonds issued for the benefit of the Borrower. To the best of the knowledge of the Borrower, no such obligations of the Borrower are currently under examination by the Internal Revenue Service.

6.5 Any restriction or covenant contained herein need not be observed or may be changed if such nonobservance or change will not result in the loss of any tax credit under Section 54 of the Code for the purpose of federal income taxation to which the Securities is otherwise entitled and the Borrower receives an opinion of Bond Counsel to such effect and the Issuer agrees to such nonobservance or change.

6.6 If any clause, provision or section of this Project Agreement is ruled invalid by any court of competent jurisdiction, the invalidity of such clause, provision or section shall not affect any of the remaining clauses, sections or provisions hereof.

6.7 The terms, provisions, covenants and conditions of this Project Agreement shall bind and inure to the benefit of the respective successors and assigns of the Issuer and the Borrower.

6.8 This Project Agreement shall terminate on the date three (3) years after the CREB Maturity Date.

The undersigned acknowledge that this Project Agreement is given as a basis for an opinion of the law firm of Chapman and Cutler LLP, Chicago, Illinois, and such firm is hereby authorized to rely on this Project Agreement.

DATED as of the day and year first above written.

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

By Gene Manning

Title President

## EXHIBIT A

## DEFINITIONS

*"Affiliated Person"* means any Person that (a) at any time during the six months prior to the Closing Date, (i) has more than five percent of the voting power of the governing body of the Issuer or the Borrower in the aggregate vested in its directors, officers, owners, and employees or (ii) has more than five percent of the voting power of its governing body in the aggregate vested in directors, officers, board members, owners, members or employees of the Issuer or the Borrower or (b) during the one-year period beginning six months prior to the Closing Date, (i) the composition of the governing body of which is modified or established to reflect (directly or indirectly) representation of the interests of the Issuer or the Borrower (or for which an agreement, understanding, or arrangement relating to such a modification or establishment during that one-year period) or (ii) the composition of the governing body of the Issuer or the Borrower is modified or established to reflect (directly or indirectly) representation of the interests of such Person (or for which an agreement, understanding, or arrangement relating to such a modification or establishment during that one-year period).

*"Bond Counsel"* means Chapman and Cutler LLP or any other nationally recognized firm of attorneys experienced in the field of municipal obligations whose opinions are generally accepted by purchasers of municipal obligations.

*"Closing Date"* means the date the Issuer issues the Securities.

*"Code"* means the Internal Revenue Code of 1986, as amended.

*"Constructed Personal Property"* means tangible personal property (or, if acquired pursuant to a single acquisition contract, properties) or Specially Developed Computer Software if (i) a substantial portion of the property or properties is completed more than six (6) months after the earlier of the date construction or rehabilitation commenced and the date the Borrower entered into an acquisition contract; (ii) based on the reasonable expectations of the Borrower, if any, or representations of the person constructing the property, with the exercise of due diligence, completion of construction or rehabilitation (and delivery to the issuer) could not have occurred within that six-month period; and (iii) if the Borrower itself builds or rehabilitates the property, not more than 75 percent of the capitalizable cost is attributable to property acquired by the Borrower (*e.g.,* components, raw materials, and other supplies).

*"Construction Purposes"* means capital expenditures that are allocable to the cost of Real Property or Constructed Personal Property. Except as provided in the next succeeding sentence, construction expenditures do not include expenditures for acquisitions of interests in land or other existing real property. Expenditures are not for the acquisition of an interest in existing real property other than land if the contract between the seller and the Borrower requires the seller to build or install the property (*e.g.,* a *turnkey contract*), but only to the extent that the property has not been built or installed at the time the parties enter into the contract.

*"Control"* means the possession, directly or indirectly through others, of either of the following discretionary and non-ministerial rights or powers over another entity (i) to approve and to remove without cause a controlling portion of the governing body of a Controlled Entity, or (ii) to require the use of funds or assets of a Controlled Entity for any purpose.

*"Controlled Entity"* means any entity or one of a group of entities that is subject to Control by a Controlling Entity or group of Controlling Entities.

*"Controlled Group"* means a group of entities directly or indirectly subject to Control by the same entity or group of entities, including the entity that has the Control of the other entities.

*"Controlling Entity"* means any entity or one of a group of entities directly or indirectly having Control of any entities or group of entities.

*"CREB Maturity Date"* shall have the meaning ascribed to it in the Loan Agreement.

*"Governmental Body"* means any State, territory, possession of the United States, the District of Columbia, Indian tribal government, and any political subdivision thereof.

*"Mortgage"* means the mortgage and security agreement applicable to substantially all of the property of the Borrower.

*"Qualified Borrower"* means (i) a mutual or cooperative electric company described in Sections 501(c)(12) or 1381(a)(2)(C) of the Code, or (ii) a Governmental Body (as defined above).

*"Real Property"* means land and improvements to land, such as buildings or other inherently permanent structures, including interests in real property. For example, real property includes wiring in a building, plumbing systems, central heating or air-conditioning systems, pipes or ducts, elevators, escalators installed in a building, paved parking areas, roads, wharves and docks, bridges, and sewage lines.

*"Related Person"* means any member of the same Controlled Group as the Issuer or the Borrower and any person related to the Issuer or a Borrower within the meaning of Section 144(a)(3) of the Code.

*"Solar Energy Facility"* means a facility using solar energy to produce electricity.

*"Specially Developed Computer Software"* means any programs or routines used to cause a computer to perform a desired task or set of tasks, and the documentation required to describe and maintain those programs, provided that the software is specially developed and is functionally related and subordinate to real property or other constructed personal property.

*"Tangible Personal Property"* means any tangible property other than real property, including interests in tangible personal property. For example, tangible personal property

includes machinery that is not a structural component of a building, subway cars, fire trucks, automobiles, office equipment, testing equipment, and furnishings.

## EXHIBIT B

## UPDATED DESCRIPTION OF THE PROJECT

| | |
|---|---|
| CFC Application | No. 7 Sulphur Springs Valley EC, Inc. |
| Bond Proceeds Needed for Project: | $280,000 |
| Bond Allocation Requested and Received: | $280,000 |

| | |
|---|---|
| Name of Project | Double Adobe Elementary School District Photovoltaic Solar Automobile Parking Shade Structure |
| Project Street Address | Double Adobe Elementary School<br>7081 N. Central Highway<br>McNeal, AZ 85617 |
| Phone Number | (520) 364-3041 |
| Fax Number | (520) 364-6796 |
| County | Cochise County |

| | |
|---|---|
| Individual Name to Contact | Jack Blair |
| Company Name | Sulphur Springs Valley Electric Cooperative, Inc. |
| Street Address | 311 E. Wilcox Drive |
| City, State, Zip | Sierra Vista, AZ 85635 |
| Telephone Number | (520) 515-3470 |
| Fax | (520) 458-3467 |

Updated Detailed Description of the Project:

A cantilevered shade structure at a school on the top of which will be constructed a 23kW solar photovoltaic system to supply power to the school. Excess power will flow on to the SSVEC system.

## EXHIBIT C

## ORIGINAL DESCRIPTION OF THE PROJECT

## [COPY OF EXHIBIT A TO ISSUER APPLICATION TO THE IRS]
## CLEAN RENEWABLE ENERGY BONDS APPLICATION
## EXHIBIT A

## SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

## DOUBLE ADOBE ELEMENTARY SCHOOL DISTRICT PHOTOVOLTAIC SOLAR SHADE STRUCTURE

This project will place a photovoltaic module costing $280,000, that will produce 23 kW of electricity in the shade structures in the one Double Adobe Elementary School District school. The PV structure will provide electricity to the respective school at no charge. There will also be a cable connection to a computer in the library of each school to show students how the system is working.

This project is the identical project that Navopache Electric Cooperative in Arizona built in 2001 that continues to function with no issues/problems.

SSVEC will operate and maintain the structure. Any excess power produced will flow back to the SSVEC grid.

The PV structures at the schools will significantly reduce their electric bills, which have been disproportionately large due to the per meter monthly surcharges mandated by the Environmental Portfolio Program (EPP), and approved by the Arizona Corporation Commission. All customers pay the EPP fees to SSVEC, which uses them to fund renewable energy projects. Since each school has many meters, they pay the EPP a disproportionately large amount of dollars. The benefit of reduced electric bills will offset their payments into the fund.

The RFP issued by Sulphur Springs Valley Electric Cooperative follows.

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.
A TOUCHSTONE ENERGY® COOPERATIVE

FOR THE ELECTRIC COOPERATIVES IN THE STATE OF ARIZONA

# REQUEST
# A
# PROPOSAL

FOR

## A PHOTOVOLTAIC SYSTEM
## USED FOR
## SHADE STRUCTURES
## FOR
## PUBLIC BUILDINGS

**ISSUED: AUGUST 1, 2005**

Narrative: The Electric Cooperatives in Arizona (Duncan Valley EC, Graham County EC, Mohave EC, Navopache EC, Sulphur Springs Valley EC, Trico EC and Arizona Electric Power Cooperative, Inc.) request a proposal for a modular designed system to supply a 10 kW to 30 kW Photovoltaic (PV) system. System size is relative to the space available for the PV panels on each site. System may consist of multiple free standing modules interconnected to meet the 10 to 30 kW size requirement. Modules to be used as free standing carports or free standing covers for walkways to provide shade. These systems are to be used at public buildings to increase the awareness of PV systems and operations and systems will be sized based on the available space. Base pricing for 10, 15, 20, 25, and 30 kW systems are requested (systems may be rounded to the nearest 5kW increment). The interconnection cost from the PV system to nearest distribution panel will be on a case by case basis due to the variation in sites. This RFP is not all inclusive and contractor may include other specifications or requirements they feel are necessary for a successful venture.

This RFP is released on August 1,2005 and response must be in a written proposal by October 1, 2005. For questions or clarification of details please contact Albert Gomez (520-515-3473) or David Bane (520-515-3472).

SCOPE OF WORK - THE CONTRACTOR WILL BE RESPONSIBLE FOR THE FOLLOWING:

- Structural design of the supporting PV structures (carport and walkway)
- One line circuit diagrams for approval by local Cooperative's engineering department
- Complete wiring diagrams (to be included in owner manual)
- Isolation transformers as needed to meet the NEC

- Purchase and installation of all components
- Systems test period of 4-6 weeks prior to transfer of title of equipment to site owner
- Any required Permits (Cooperative will reimburse actual cost of permits)
- Meter socket on the A/C output of the inverter(s)
- Interconnection with Customers electric service
- Fencing around inverters and other equipment as required for security and public safety
- Project to meet or exceed SunWatts standards
- Basic training for site owner / site operator
- Operators Manual

THE COOPERATIVE WILL PROVIDE THE FOLLOWING:

- Meter to measure AC output from PV system to owners electric panel
- Written permission from site owner to build the PV Module
- Act as the point of contact with the installation Contractor on behalf of the site owner

STRUCTURAL DESIGN REQUIREMENTS:

The basic structure is to support the PV cells but must be able to work as a carport with all the required clearances. Support should be in a cantilever style to allow easy parking, spacing on vertical supports should be in multiples of 10 feet to be able to match typical parking lot spacing, height should allow the parking of full size passenger vans, and structure does not have to be water proof (providing shade to vehicles is secondary to the production of energy). Sample profile (to show intent not required design) is on page 4. Ideal structure would have the ability to support PV panels that would be effective if the long side of the structure is in a North-South as well as East-West orientation.

PV DESIGN REQUIREMENTS:

- PV panels shall have warranty for a minimum of 15 years to cover rated output (out put degradation not to exceed 20% over life of panel)
- All system components will be UL certified
- System will include isolation transformers per section 250-30 of the NEC
- Polyphase inverter with voltage to match customer's system.
- Inverter to match capacity of project
- 15 year manufacturers warranty on Inverter (contractor may use an extended warranty insurance policy to meet 15 year requirement)
- Contractor will warranty repair labor at 100% for first 5 years, 66% of labor for second 5
- years, and 33% of labor for remaining 5 years, (limited to warranty repairs)
- Interconnection costs from site of PV system to nearest practical distribution panel will be on a case by case basis, (site selection process will keep this as short as possible)

SUNWATTS REQUIREMENTS:

- One-line drawings subject to approval by local Cooperative's engineering department
- Units to operate in parallel with grid
- Includes protection for out of frequency problems
- Low harmonics
- Inverter must disconnect in the event grid power is lost
- Lockable safety switch located between the inverter and meter socket

TRAINING REQUIREMENTS:

The Contractor will provide sufficient time with the site owner to explain how to disconnect the system, locate inverter, identify all junction boxes between the modules, and identify any system warning lights or displays. Contractor will also provide system manual with basic operating instructions and all the associated warranty information and manufacturer contacts listed.

## EXHIBIT D

## MONTHLY DRAWDOWN SCHEDULE OF AMOUNTS TO BE ADVANCED TO THE BORROWER PURSUANT TO THE LOAN AGREEMENT

| DATE ON WHICH PROCEEDS ARE EXPECTED TO BE EXPENDED | AMOUNTS OF PROCEEDS TO BE EXPENDED |
|---|---|
| November 17, 2008 | 280,000 |

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

To

NATIONAL RURAL UTILITIES
COOPERATIVE FINANCE CORPORATION
Issuer

# LOAN AGREEMENT

Dated as of 12/21, 2007

Clean Renewable Energy Bonds
(Cooperative Renewable Energy Projects) Series 2008A
of National Rural Utilities Cooperative Finance Corporation

CFC LOANAG
AZ014-A-9037-CB001 (JABLONJ)
117563-2

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EXHIBIT D TERMINATION CERTIFICATE OF BORROWER

## LOAN AGREEMENT

**LOAN AGREEMENT** (this "Agreement") dated as of _____, between SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. ("Borrower"), a corporation organized and existing under the laws of the State of Arizona and NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION ("CFC"), a cooperative association organized and existing under the laws of the District of Columbia.

## RECITALS

**WHEREAS,** the Borrower has applied to CFC for a loan for the purposes set forth in Schedule 1 hereto, and CFC is willing to make such a loan to the Borrower on the terms and conditions stated herein; and

**WHEREAS,** the Borrower has agreed to execute a promissory note to evidence an indebtedness in the aggregate principal amount of the CFC Commitment (as hereinafter defined).

**NOW, THEREFORE,** for and in consideration of the premises and the mutual covenants hereinafter contained, the parties hereto agree and bind themselves as follows:

## ARTICLE I

## DEFINITIONS

**Section 1.01** For purposes of this Agreement, the following capitalized terms shall have the following meanings (such definitions to be equally applicable to the singular and the plural form thereof). Capitalized terms that are not defined herein shall have the meanings as set forth in the Mortgage.

**"Accounting Requirements"** shall mean any system of accounts prescribed by a federal regulatory authority having jurisdiction over the Borrower or, in the absence thereof, the requirements of GAAP applicable to businesses similar to that of the Borrower.

**"Advance"** shall mean each advance of funds by CFC to the Borrower pursuant to the terms and conditions of this Agreement, including the Initial Advance and the Primary Advance.

**"Authorized Officer of the Borrower"** means the Chairman, General Manager or Chief Financial Officer of the Borrower or any other person authorized by the Board of the Borrower so to act or any other person performing a function similar to the function performed by any such officer or authorized person.

**"Average DSC Ratio"** shall mean the average of the Borrower's two highest annual DSC Ratios during the most recent three calendar years.

**"Bond Counsel"** means an attorney at law or a firm of attorneys (designated by CFC and acceptable to the Trustee) of nationally recognized standing in matters pertaining to the tax-exempt nature of interest or tax credits on bonds issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of any state of the United States of America.

**"Business Day"** shall mean any day that both CFC and the depository institution CFC utilizes for funds transfers hereunder are open for business.

**"CFC Commitment"** shall have the meaning as defined in Schedule 1.

**"CFC CREB Rate"** shall mean the interest rate charged by CFC for loans made by CFC from proceeds of the CREBs which rate shall not exceed one hundred and fifty basis points (150/100 of 1%) per annum.

**"Closing Date"** shall mean the date CFC issues the CREBs.

**"Code"** shall mean the Internal Revenue Code of 1986, as supplemented and amended.

**"Completion Certificate"** shall mean the certificate of the Borrower required by Section 5.01.P of this Agreement, substantially in the form of Exhibit C hereto.

**"CREBs"** shall mean the series of Securities issued by CFC to provide financing for the Project.

**"CREB Maturity Date"** shall mean the maturity date of the CREBs, which shall be the December 15th prior to the Maximum CREB Term Anniversary Date.

**"Debt Service Coverage ("DSC") Ratio"** shall mean the ratio determined as follows: for any calendar year add (i) Operating Margins, (ii) Non-Operating Margins--Interest, (iii) Interest Expense, (iv) Depreciation and Amortization Expense, and (v) cash received in respect of generation and transmission and other capital credits, and divide the sum so obtained by the sum of all payments of Principal and Interest Expense required to be made during such calendar year; provided, however, that in the event that any amount of Long-Term Debt has been refinanced during such year, the payments of Principal and Interest Expense required to be made during such year on account of such refinanced amount of Long-Term Debt shall be based (in lieu of actual payments required to be made on such refinanced amount of Long-Term 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 payment of Principal and Interest Expense required to be made during the following year on account of such refinancing debt.

**"Default Rate"** shall mean a rate per annum equal to one hundred and fifty basis points (150/100 of 1%).

**"Depreciation and Amortization Expense"** shall mean an amount constituting the depreciation and amortization of the Borrower computed pursuant to Accounting Requirements.

**"Determination of Tax Credit Ineligibility"** shall mean a determination that a particular series of Securities does not qualify for a tax credit for the owner thereof under Section 54 of the Code, which determination shall be deemed to have been made upon the occurrence of the first to occur of the following:

(a) the date on which CFC determines that there is a significant likelihood that a particular series of Securities may not qualify for a tax credit, if such determination is supported by a written opinion of Bond Counsel to that effect; or

(b) the date on which CFC shall receive notice in writing that the Trustee has been advised by the owner of any Security that a particular series of Securities does not qualify for a tax credit for the owner thereof, based upon a final determination made either by: (A) the Internal Revenue Service in a published or private ruling or technical advice memorandum or (B) any court of competent jurisdiction in the United States of America, as a result of a failure by CFC or any borrower to observe any agreement or representation in the Tax Compliance Agreement or a Loan Agreement or Project Agreement relating to the proceeds of the Securities. Any such determination will not be considered final for this purpose unless the Owner of the Securities involved in the proceeding or action resulting in the determination (i) gives CFC and the Trustee prompt written notice of the commencement thereof and (ii) if CFC agrees to pay all expenses in connection therewith and to indemnify such Owner of the Securities against all liabilities in connection therewith, offers CFC an opportunity to contest the determination, either directly or in the name of the Owner of the Securities, and until conclusion of any review, if sought.

**"Distributions"** shall mean, with respect to the Borrower, any dividend, patronage refund, patronage capital retirement or cash distribution to its members, or consumers (including but not limited to any general cancellation or abatement of charges for electric energy or services furnished by the Borrower). The term "Distribution" shall *not* include (a) a distribution by the Borrower to the estate of a deceased patron, (b) repayment by the Borrower of a membership fee upon termination of a membership, or (c) any rebate to a patron resulting from a cost abatement received by the Borrower, such as a reduction of wholesale power cost previously incurred.

**"Draw Period"** shall have the meaning as described in Schedule 1 hereto.

**"Environmental Laws"** shall mean all laws, rules and regulations promulgated by any Governmental Authority, with which Borrower is required to comply, regarding the use, treatment, discharge, storage, management, handling, manufacture, generation, processing, recycling, distribution, transport, release of or exposure to any Hazardous Material.

**"Equity"** shall mean the aggregate of the Borrower's equities and margins computed pursuant to Accounting Requirements.

**"Event of Default"** shall have the meaning as described in Article VI hereof.

**"Funds Requisition Statement"** shall mean the certificate of the Borrower, in the form set forth as Exhibit A to this Agreement, by which the Borrower will obtain an advance of funds from CFC under the Loan.

**"GAAP"** shall mean generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board.

**"Governmental Authority"** shall mean the government of the United States of America, any other nation or government, any state or other political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

**"Hazardous Material"** shall mean any (a) petroleum or petroleum products, radioactive materials, asbestos-containing materials, polychlorinated biphenyls, lead and radon gas, and (b) any

other substance designated as hazardous or toxic or as a pollutant or contaminant under any Environmental Law.

**"Indenture"** shall mean the Indenture between CFC and U.S. Bank Trust Company National Association, relating to the first issue of Securities, pursuant to which the Securities, including the CREBs are issued, as supplemented and amended.

**"Initial Advance"** shall mean the Advance made by CFC on the Closing Date pursuant to Section 3.02.A hereof to fund a portion of CFC's costs in issuing the CREBs attributable to the CFC Commitment, including, but not limited to, original issue discount, underwriting discount and other costs of issuance, including, without limitation, rating agency costs and legal, underwriting and Trustee expenses.

**"Interest Expense"** shall mean an amount constituting the interest expense with respect to Long-Term Debt of the Borrower computed pursuant to Accounting Requirements. 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 Restricted Rentals paid by the Borrower over 2% of the Borrower's Equity.

**"Lien"** shall mean any statutory or common law consensual or non-consensual mortgage, pledge, security interest, encumbrance, lien, right of set off, claim or charge of any kind, including, without limitation, any conditional sale or other title retention transaction, any lease transaction in the nature thereof and any secured transaction under the Uniform Commercial Code.

**"Loan"** shall mean the loan made by CFC to the Borrower, pursuant to this Agreement and the Note, in an aggregate principal amount not to exceed the CFC Commitment.

**"Loan Capital Term Certificate" or "LCTC"** shall mean a certificate, or book entry form of account, evidencing the Borrower's purchase of equity in CFC.

**"Loan Documents"** shall mean this Agreement, the Note, the Mortgage, the Project Agreement and all other documents or instruments executed, delivered or executed and delivered by the Borrower and evidencing, securing, governing or otherwise pertaining to, the Loan.

**"Long-Term Debt"** shall mean an amount constituting the long-term debt of the Borrower computed pursuant to Accounting Requirements.

**"Maturity Date"** shall mean the Payment Date immediately prior to the CREB Maturity Date permitted for the CREBs under Section 54(e)(2) of the Code as in effect on the Closing Date.

**"Maximum CREB Term Anniversary Date"** shall mean the anniversary of the Closing Date that occurs at the maximum term permitted for the CREBs under Section 54(e)(2) of the Code as in effect on the Closing Date.

**"Mortgage"** shall have the meaning as described in Schedule 1 hereto.

**"Mortgaged Property"** shall have the meaning ascribed to it in the Mortgage.

**"Non-Operating Margins--Interest"** shall mean the amount representing the interest component of non-operating margins of the Borrower computed pursuant to Accounting Requirements.

**"Note"** shall mean the secured promissory note, payable to the order of CFC, executed by the Borrower, dated as of even date herewith, pursuant to this Agreement as identified on Schedule 1 hereto and shall include any substitute note or modification thereto.

**"Obligations"** shall mean any and all liabilities, obligations or indebtedness owing by the Borrower to CFC, of any kind or description, irrespective of whether for the payment of money, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising.

**"Operating Margins"** shall mean the amount of patronage capital and operating margins of the Borrower computed pursuant to Accounting Requirements.

**"Payment Date"** shall mean the first (1st) day of each of March, June and September and December.

**"Payment Notice"** shall mean a notice furnished by CFC to the Borrower that indicates the amount of each payment of interest or interest and principal and the total amount of each payment due.

**"Permitted Encumbrances"** shall have the meaning ascribed to it in the Mortgage.

**"Person"** shall mean natural persons, cooperatives, corporations, limited liability companies, limited partnerships, general partnerships, limited liability partnerships, joint ventures, associations, companies, trusts or other organizations, irrespective of whether they are legal entities, and Governmental Authorities.

**"Primary Advance"** shall mean the Advance made by CFC to the Borrower pursuant to Section 3.02.B hereof two Business Days after the Closing Date to reimburse Borrower for costs of the Project.

**"Principal"** shall mean the amount of principal billed on account of Long-Term Debt of the Borrower computed pursuant to Accounting Requirements.

**"Project"** shall mean the project being financed pursuant to the Loan, as further described in Schedule 1.

**"Project Account"** means an account created pursuant to the Indenture within the Project Fund related to the CREBs.

**"Project Agreement"** shall mean the Project Agreement, dated as of even date herewith, executed by the Borrower with respect to the Project and the CREBs.

**"Project Fund"** means the Project Fund created and identified as such in the Indenture.

**"Restricted Rentals"** shall mean all rentals required to be paid under finance leases and charged to income, exclusive of any amounts paid under any such lease (whether or not designated therein as rental or additional rental) for maintenance or repairs, insurance, taxes, assessments, water rates or similar charges. For the purpose of this definition the term "finance lease" shall mean any lease having a rental term (including the term for which such lease may be renewed or extended at the option of the lessee) in excess of three (3) years and covering property having an initial cost in excess of $250,000 other than automobiles, trucks, trailers, other vehicles (including without

limitation aircraft and ships), office, garage and warehouse space and office equipment (including without limitation computers).

**"Securities"** shall mean one or more series of clean renewable energy bonds issued by CFC under the Indenture.

**"Subsidiary"** as to any Person, shall mean a corporation, partnership, limited partnership, limited liability company or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise qualified, all references to a "Subsidiary" or to "Subsidiaries" in this Agreement shall refer to a Subsidiary or Subsidiaries of the Borrower.

**"Tax Compliance Agreement"** means a tax compliance certificate and agreement of CFC with respect to a series of Securities, as accepted by the Trustee, as amended.

**"Termination Certificate"** shall mean the certificate of the Borrower required by Section 5.01.Q of this Agreement, substantially in the form of Exhibit D hereto.

**"Total Assets"** shall mean an amount constituting the total assets of the Borrower computed pursuant to Accounting Requirements.

**"Total Utility Plant"** shall mean the amount constituting the total utility plant of the Borrower computed pursuant to Accounting Requirements.

**"Trustee"** shall mean U.S. Bank Trust Company National Association and its successors and assigns.

## ARTICLE II

## REPRESENTATIONS AND WARRANTIES

**Section 2.01** The Borrower represents and warrants to CFC that as of the date of this Agreement:

**A. Good Standing.** The Borrower is duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization, is duly qualified to do business and is in good standing in those states in which it is required to be qualified to conduct its business. The Borrower is a member in good standing of CFC.

**B. Subsidiaries and Ownership.** Schedule 1 hereto sets forth a complete and accurate list of the Subsidiaries of the Borrower showing the percentage of the Borrower's ownership of the outstanding stock, membership interests or partnership interests, as applicable, of each Subsidiary.

**C. Authority; Validity.** The Borrower has the power and authority to enter into this Agreement, the Note, the Project Agreement and the Mortgage; to make the borrowing hereunder; to execute and deliver all documents and instruments required hereunder and to incur and perform the obligations provided for herein, in the Note, in the Project Agreement and in the Mortgage, all of which have been duly authorized by all necessary and proper action; and no consent or approval of

any Person, including, as applicable and without limitation, members of the Borrower, which has not been obtained is required as a condition to the validity or enforceability hereof or thereof.

Each of this Agreement, the Note, the Project Agreement and the Mortgage is, and when fully executed and delivered will be, legal, valid and binding upon the Borrower and enforceable against the Borrower in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity.

D. **No Conflicting Agreements.** The execution and delivery of the Loan Documents and performance by the Borrower of the obligations thereunder, and the transactions contemplated hereby or thereby, will not: (i) violate any provision of law, any order, rule or regulation of any court or other agency of government, any award of any arbitrator, the articles of incorporation or by-laws of the Borrower, or any indenture, contract, agreement, mortgage, deed of trust or other instrument to which the Borrower is a party or by which it or any of its property is bound; or (ii) be in conflict with, result in a breach of or constitute (with due notice and/or lapse of time) a default under, any such award, indenture, contract, agreement, mortgage, deed of trust or other instrument, or result in the creation or imposition of any Lien (other than contemplated hereby) upon any of the property or assets of the Borrower.

The Borrower is not in default in any material respect under any agreement or instrument to which it is a party or by which it is bound and no event or condition exists which constitutes a default, or with the giving of notice or lapse of time, or both, would constitute a default under any such agreement or instrument.

E. **Taxes.** The Borrower, and each of its Subsidiaries, has filed or caused to be filed all federal, state and local tax returns which are required to be filed and has paid or caused to be paid all federal, state and local taxes, assessments, and governmental charges and levies thereon, including interest and penalties to the extent that such taxes, assessments, and governmental charges and levies have become due, except for such taxes, assessments, and governmental charges and levies which the Borrower or any Subsidiary is contesting in good faith by appropriate proceedings for which adequate reserves have been set aside.

F. **Licenses and Permits.** The Borrower has duly obtained and now holds all licenses, permits, certifications, approvals and the like necessary to own and operate its property and business that are required by Governmental Authorities and each remains valid and in full force and effect.

G. **Litigation.** There are no outstanding judgments, suits, claims, actions or proceedings pending or, to the knowledge of the Borrower, threatened against or affecting the Borrower, its Subsidiaries or any of their respective properties which, if adversely determined, either individually or collectively, would have a material adverse effect upon the business, operations, prospects, assets, liabilities or financial condition of the Borrower or its Subsidiaries. The Borrower and its Subsidiaries are not, to the Borrower's knowledge, in default or violation with respect to any judgment, order, writ, injunction, decree, rule or regulation of any Governmental Authority which would have a material adverse effect upon the business, operations, prospects, assets, liabilities or financial condition of the Borrower or its Subsidiaries.

H. **Financial Statements.** The balance sheet of the Borrower as at the date identified in Schedule 1 hereto, the statement of operations of the Borrower for the period ending on said date, and the interim financial statements of the Borrower, all heretofore furnished to CFC, are complete and correct. Said balance sheet fairly presents the financial condition of the Borrower as at said date

and said statement of operations fairly reflects its operations for the period ending on said date. The Borrower has no contingent obligations or extraordinary forward or long-term commitments except as specifically stated in said balance sheet or herein. There has been no material adverse change in the financial condition or operations of the Borrower from that set forth in said financial statements except changes disclosed in writing to CFC prior to the date hereof.

I. **Borrower's Legal Status.** Schedule 1 hereto accurately sets forth: (i) the Borrower's exact legal name, (ii) the Borrower's organizational type and jurisdiction of organization, (iii) the Borrower's organizational identification number or accurate statement that the Borrower has none, and (iv) the Borrower's place of business or, if more than one, its chief executive office as well as the Borrower's mailing address if different.

J. **Required Approvals.** Other than the CREBs allocation received from the Internal Revenue Service, no license, consent or approval of any Governmental Authority is required to enable the Borrower to enter into this Agreement, the Project Agreement, the Note and the Mortgage, or to perform any of its Obligations provided for in such documents, including without limitation (and if applicable), that of any state public utilities commission, any state public service commission, and the Federal Energy Regulatory Commission, except as disclosed in Schedule 1 hereto, all of which the Borrower has obtained prior to the date hereof.

K. **Compliance With Laws.** The Borrower and each Subsidiary is in compliance, in all material respects, with all applicable requirements of law and all applicable rules and regulations of each Governmental Authority.

L. **Disclosure.** To the Borrower's knowledge, information and belief, neither this Agreement nor any document, certificate or financial statement furnished to CFC by or on behalf of the Borrower in connection herewith (all such documents, certificates and financial statements, taken as a whole) contains any untrue statement of a material fact or omits to state any material fact necessary in order to make the statements contained herein and therein not misleading.

M. **No Other Liens.** As to property which is presently included in the description of Mortgaged Property, the Borrower has not, without the prior written approval of CFC, executed or authenticated any security agreement or mortgage, or filed or authorized any financing statement to be filed with respect to assets owned by it, other than security agreements, mortgages and financing statements in favor of CFC, except as disclosed in writing to CFC prior to the date hereof or relating to Permitted Encumbrances.

N. **Environmental Matters.** Except as to matters which individually or in the aggregate would not have a material adverse effect upon the business or financial condition of the Borrower or its Subsidiaries, (i) Borrower is in compliance with all Environmental Laws (including, but not limited to, having any required permits and licenses), (ii) there have been no releases (other than releases remediated in compliance with Environmental Laws) from any underground or aboveground storage tanks (or piping associated therewith) that are or were present at the Mortgaged Property, (iii) Borrower has not received written notice or claim of any violation of any Environmental Law, (iv) there is no pending investigation of Borrower in regard to any Environmental Law, and (v) to the best of Borrower's knowledge, there has not been any release or contamination (other than releases or contamination remediated in compliance with Environmental Laws) resulting from the presence of Hazardous Materials on property owned, leased or operated by the Borrower.

O. **Project Agreement.** As set forth in the Project Agreement, the Project constitutes "a qualified project" as defined in Section 54(d)(2)(A) of the Code. As set forth in the Project Agreement,

the Borrower constitutes currently, and will remain through the period that the CREBs remain outstanding, "a Qualified Borrower", meaning a (i) mutual or cooperative electric company described in Sections 501(c)(12) or 1381(a)(2)(C) of the Code, or (ii) a Governmental Body, which is defined as any state, territory possession of the U.S., the District of Columbia, Indian tribal government, and any political subdivision thereof. The statements, information and descriptions contained in the Project Agreement are true, correct and complete, and do not contain any untrue statement or misleading statement of a material fact, and do not omit to state a material fact required to be stated therein or necessary to make the statements, information and descriptions contained therein, in the light of the circumstances under which they were made, not misleading, and the estimates and the assumptions contained in the Project Agreement are reasonable and based on the best information available to the Borrower.

## ARTICLE III

## LOAN

**Section 3.01 Definitions.** For purposes of this Article 3, the following capitalized terms shall have the following meanings:

**"Borrower's Annual Bond Repayment Amount"** shall mean the amount determined by dividing the CFC Commitment by the number of years from the Closing Date to the Maximum CREB Term Anniversary Date, which amount shall be recalculated on the date CFC rescinds any excess moneys pursuant to Section 3.05 or 3.06 hereof.

**"Quarterly Bond Deposit Amount"** shall mean for each Payment Date, the amount determined by subtracting from the Quarterly Bond Repayment Amount the principal amount payable by the Borrower pursuant to Section 3.03.A(ii)(b)(1) on such Payment Date.

**"Quarterly Bond Repayment Amount"** shall mean one-fourth (¼) of the Borrower's Annual Bond Repayment Amount.

**Section 3.02 Advances.** The obligation of the Borrower to repay the Advances shall be evidenced by the Note. The aggregate amount of all Advances made hereunder shall not exceed the CFC Commitment. At the end of the Draw Period, CFC shall have no further obligation to make Advances.

**A. Initial Advance.** Borrower hereby agrees that on the Closing Date, CFC shall automatically, and without action by Borrower, make the Initial Advance. On the Closing Date, CFC shall notify Borrower of the final amount of the Initial Advance and the amount of the CFC Commitment remaining for Borrower to subsequently Advance.

**B. Subsequent Advances.**

(i) The Borrower may submit a request for the Primary Advance to CFC in writing (which may be submitted by facsimile) no later than 12:00 noon local time at CFC's offices in Herndon, Virginia seven Business Days prior to the Closing Date. The Primary Advance may be requested in any amount up to the CFC Commitment. CFC shall make the Primary Advance two Business Days after the Closing Date in the lesser of (i) the aggregate amount of such requested Primary Advance, and (ii) the amount of the CFC Commitment less the amount of the Initial Advance.

(ii) Except as set forth in 3.02.A and 3.02.B(i) hereof, the Borrower shall submit its request for an Advance to CFC in writing (which may be submitted by facsimile) no later than 12:00 noon local time at CFC's offices in Herndon, Virginia at least two (2) Business Days prior to the last Business Day of any calendar month. Borrower may make multiple requests for Advances during any calendar month in any amount so long as the aggregate amount of all Advances requested in such month is in an amount not less than $100,000.00; *provided, however* that at such time as there remains less than $100,000.00 available for Advance hereunder, Borrower may request the entirety of such remaining amount. CFC shall make a single Advance to Borrower on the first Business Day of the calendar month following Borrower's request(s) for an Advance. Such Advance shall be in the aggregate amount of all Advances requested by Borrower in the prior month, *provided however* that at such time as there remains less than $100,000.00 available for Advance hereunder and Borrower requests the entirety of such remaining amount, CFC shall Advance the entirety of such remaining amount.

**Section 3.03 Interest Rate and Payment.** The Note shall be payable and bear interest as follows:

**A. Payments; Maturity; Amortization.**

(i) The Note shall be due and payable on the Maturity Date.

(ii) On each Payment Date, the Borrower shall promptly pay the following:

(a) accrued interest on the principal amount of the Loan outstanding less the amount of the Initial Advance; and

(b) the Quarterly Bond Repayment Amount, consisting of:

(1) the principal amount due on any outstanding Advances, determined on the basis of a quarterly amortization schedule from the date of each Advance; and

(2) the Quarterly Bond Deposit Amount.

(iii) If not sooner paid, any amount due on account of the unpaid principal, interest accrued thereon and fees, if any, shall be due and payable on the Maturity Date.

(iv) Each Advance shall amortize on a level principal payment basis from the date thereof through the Maturity Date.

(v) CFC will furnish to the Borrower a Payment Notice at least ten (10) days before each Payment Date, provided, however, that CFC's failure to send a Payment Notice shall not constitute a waiver by CFC or be deemed to relieve the Borrower of its obligation to make payments as and when due as provided for herein.

(vi) No provision of this Agreement or of any Note shall require the payment, or permit the collection, of interest in excess of the highest rate permitted by applicable law.

Borrower agrees that the records of, and all computations by, CFC (in whatever media they are recorded or maintained) as to the amount of principal, interest, fees and Quarterly Bond Deposit Amount due on the Loan shall be conclusive in the absence of manifest error.

B. **Application of Payments.** Each payment shall be applied to the Loan, first to any fees, costs, expenses or charges other than interest or principal, second to interest accrued, third to the Quarterly Bond Deposit Amount and the balance to principal.

C. **Application of Bond Repayment Deposit.** At such time as the aggregate amount billed by CFC in any calendar year on account of amortized principal under this Agreement exceeds the Borrower's Annual Bond Repayment Amount for such year, CFC shall apply a portion of the Borrower's prior payments of the Quarterly Bond Deposit Amount in the amount of such overage to principal then due. Until such time, Borrower's payments of the Quarterly Bond Deposit Amount shall not reduce the amount of principal outstanding and subject to amortization. Any amount paid by the Borrower under this Agreement on account of the Quarterly Bond Deposit Amount in excess of the principal amount of the fully advanced Loan shall be refunded to the Borrower on the Maturity Date.

D. **Interest Rate Computation.** Each Advance except the Initial Advance shall bear interest at the CFC CREB Rate which shall apply until the Maturity Date. The Initial Advance shall not bear interest. Interest on Advances shall be computed on the basis of a 30-day month and 360-day year.

**Section 3.04. Extraordinary Obligation to Prepay.** Upon a Determination of Tax Credit Ineligibility that subjects the CREBs to an extraordinary mandatory redemption due to a failure of the Borrower to observe any agreement or representation in this Loan Agreement (as more particularly described in paragraph (b) of the defined term "Determination of Tax Credit Ineligibility"), the Borrower shall prepay the Loan, or such part thereof as determined by CFC, at such times and in such amounts as determined by CFC within sixty (60) days of such determination together with a prepayment premium prescribed by CFC pursuant to its policies of general application in effect from time to time.

**Section 3.05. Rescission of Excess Moneys; Fee.** If the Borrower has not drawn down the full amount of the CFC Commitment at (i) the time of filing the Completion Certificate under Section 5.01P. hereof, (ii) the time of filing the Termination Certificate under 5.01Q. hereof, (iii) a Determination of Tax Credit Ineligibility or (iv) the end of the Draw Period, a corresponding rescission of the amount of principal available to be drawn on the Note as calculated by CFC shall automatically be made without further action by the Borrower. CFC shall release the Borrower from its obligations hereunder as to such rescinded portion, provided the Borrower complies with such terms and conditions as CFC may impose for such release including, without limitation, payment of any rescission fee that CFC may from time to time prescribe, pursuant to its policies of general application.

**Section 3.06. Cancellation of Excess Moneys.** If the Borrower has not drawn down the full amount of the CFC Commitment at the time CFC determines that it will cease making Advances hereunder pursuant to Section 7.01 hereof, a corresponding cancellation of the amount of principal available to be drawn on the Note as calculated by CFC shall automatically be made without action by the Borrower.

**Section 3.07. Default Rate.** If Borrower defaults on its obligation to make a payment due hereunder by the applicable Payment Date, and such default continues for thirty days thereafter, then

beginning on the thirty-first day after the Payment Date and for so long as such default continues, Advances shall bear interest at the Default Rate.

**Section 3.08. Patronage Capital; Interest Rate Discounts.** No patronage capital shall be earned, and no interest rate discounts shall apply, to the Loan.

**Section 3.09. Optional Prepayment.** Except for prepayments made pursuant to Section 3.04 hereof, no prepayment of any Advance, in whole or in part, may be made by the Borrower.

## ARTICLE IV

## CONDITIONS OF LENDING

**Section 4.01** The obligation of CFC to make any Advance hereunder is subject to satisfaction of the following conditions in form and substance satisfactory to CFC:

**A. Legal Matters.** All legal matters incident to the consummation of the transactions hereby contemplated shall be satisfactory to counsel for CFC.

**B. Documents.** CFC shall have been furnished with (i) the executed Loan Documents, (ii) certified copies of all such organizational documents and proceedings of the Borrower authorizing the transactions hereby contemplated as CFC shall require, (iii) an opinion of counsel for the Borrower addressing such legal matters as CFC shall reasonably require, and (iv) all other such documents as CFC may reasonably request.

**C. Government Approvals.** The Borrower shall have furnished to CFC true and correct copies of all certificates, authorizations, consents, permits and licenses from Governmental Authorities necessary for the execution or delivery of the Loan Documents or performance by the Borrower of the obligations thereunder.

**D. Representations and Warranties.** The representations and warranties contained in Article II shall be true on the date of the making of each Advance hereunder with the same effect as though such representations and warranties had been made on such date; no Event of Default and no event which, with the lapse of time or the notice and lapse of time would become such an Event of Default, shall have occurred and be continuing or will have occurred after giving effect to each Advance on the books of the Borrower; there shall have occurred no material adverse change in the business or condition, financial or otherwise, of the Borrower; and nothing shall have occurred which in the opinion of CFC materially and adversely affects the Borrower's ability to perform its obligations hereunder.

**E. Mortgage Recordation.** The Mortgage (and any amendments, supplements or restatements as CFC may require from time to time) shall have been duly filed, recorded or indexed in all jurisdictions necessary (and in any other jurisdiction that CFC shall have reasonably requested) to provide CFC a lien, subject to Permitted Encumbrances, on all of the Borrower's real property, all in accordance with applicable law, and the Borrower shall have paid all applicable taxes, recording and filing fees and caused satisfactory evidence thereof to be furnished to CFC.

**F. UCC Filings.** Uniform Commercial Code financing statements (and any continuation statements and other amendments thereto that CFC shall require from time to time) shall have been duly filed, recorded or indexed in all jurisdictions necessary (and in any other jurisdiction that CFC

shall have reasonably requested) to provide CFC a perfected security interest, subject to Permitted Encumbrances, in the Mortgaged Property which may be perfected by the filing of a financing statement, all in accordance with applicable law, and the Borrower shall have paid all applicable taxes, recording and filing fees and caused satisfactory evidence thereof to be furnished to CFC.

G. **Requisitions.** The Borrower will requisition each Advance by submitting its written requisition to CFC in the form attached as Exhibit A hereto. Requisitions for Advances shall be made only for the purposes set forth in Schedule 1 hereto.

H. **Other Information.** The Borrower shall have furnished such other information as CFC may reasonably require, including but not limited to (i) information regarding the specific purpose for an Advance and the use thereof, (ii) feasibility studies, cash flow projections, financial analyses and pro forma financial statements sufficient to demonstrate to CFC's reasonable satisfaction that after giving effect to the Advance requested, the Borrower shall continue to achieve the DSC ratio set forth in Section 5.01.A herein, to meet all of its debt service obligations, and otherwise to perform and to comply with all other covenants and conditions set forth in this Agreement, and (iii) any other information as CFC may reasonably request. CFC's obligation to make any Advance hereunder is conditioned upon prior receipt and approval of the Borrower's written requisition and other information and documentation, if any, as CFC may have requested pursuant to this paragraph.

I. **Issuance of Bonds.** CFC shall have issued CREBs in an amount not less than the CFC Commitment.

J. **CREB Allocation.** CFC shall have received an allocation in the amount of the CFC Commitment from the U.S. Department of Treasury for the Borrower's Project under its Securities program.

K. **Tax Credit Ineligibility.** There shall have occurred no Determination of Tax Credit Ineligibility with regard to the Borrower or the Project.

L. **Bring Down Certificate.** Two (2) Business Days prior to the Closing Date, the Borrower shall furnish CFC with a certificate of an Authorized Officer of the Borrower in the form of Exhibit B hereto, certifying that all of the representations and warranties set forth in Article II hereof are true on the Closing Date.

## ARTICLE V

## COVENANTS

**Section 5.01 Affirmative Covenants.** The Borrower covenants and agrees with CFC that until payment in full of the Note and performance of all obligations of the Borrower hereunder:

A. **Financial Ratios; Design of Rates.** The Borrower shall achieve an Average DSC Ratio of not less than 1.35. The Borrower shall not decrease its rates for electric service if it has failed to achieve a DSC Ratio of 1.35 for the calendar year prior to such reduction subject only to an order from a Governmental Authority properly exercising jurisdiction over the Borrower.

B. **Loan Proceeds.** The Borrower shall use the proceeds of this Loan solely for the purposes identified on Schedule 1 hereto.

**C. Notice.** The Borrower shall promptly notify CFC in writing of:

(i) any material adverse change in the business, operations, prospects, assets, liabilities or financial condition of the Borrower;

(ii) the institution or threat of any litigation or administrative proceeding of any nature involving the Borrower which could materially affect the business, operations, prospects, assets, liabilities or financial condition of the Borrower;

(iii) the occurrence of an Event of Default hereunder, or any event that, with the giving of notice or lapse of time, or both, would constitute an Event of Default.

**D. Default Notices.** Upon receipt of any notices with respect to a default by the Borrower under the terms of any evidence of any indebtedness with parties other than CFC or of any loan agreement, mortgage or other agreement relating thereto, the Borrower shall deliver copies of such notice to CFC.

**E. Annual Certificates.**

(i) Within one hundred twenty (120) days after the close of each calendar year, commencing with the year in which the initial Advance hereunder shall have been made, the Borrower will deliver to CFC a written statement, in form and substance satisfactory to CFC, signed by the Borrower's General Manager or Chief Executive Officer, stating that during such year, and that to the best of said person's knowledge, the Borrower has fulfilled all of its obligations under this Agreement, the Project Agreement, the Note, and the Mortgage throughout such year or, if there has been a default in the fulfillment of any such obligations, specifying each such default known to said person and the nature and status thereof.

(ii) The Borrower shall deliver to CFC within one hundred twenty (120) days of CFC's written request, which shall be no more frequently than once every year, a certification, in form and substance satisfactory to CFC, regarding the condition of the Mortgaged Property prepared by a professional engineer satisfactory to CFC. The Borrower shall also deliver to CFC such other information as CFC may reasonably request from time to time.

**F. Loan Capital Term Certificate Purchase.** The Borrower will purchase LCTCs, if required, in an amount calculated pursuant to CFC's policies of general application and shall pay for such LCTCs as required thereby. CFC's policies with respect to such LCTCs are set forth in Schedule 1.

**G. Financial Books; Financial Reports; Right of Inspection.** The Borrower will at all times keep, and safely preserve, proper books, records and accounts in which full and true entries will be made of all of the dealings, business and affairs of the Borrower, in accordance with Accounting Requirements. When requested by CFC, the Borrower will prepare and furnish CFC from time to time, periodic financial and statistical reports on its condition and operations. All of such reports shall be in such form and include such information as may be specified by CFC. Within one hundred twenty (120) days of the end of each calendar year during the term hereof, the Borrower shall furnish to CFC a full and complete report of its financial condition and statement of its operations as of the end of such calendar year, in form and substance satisfactory to CFC. In addition, within one hundred twenty (120) days of the end of each the Borrower's fiscal years during the term hereof, the Borrower shall furnish to CFC a full and complete consolidated and consolidating report of its financial condition and statement of its operations as of the end of such fiscal year,

audited and certified by independent certified public accountants nationally recognized or otherwise satisfactory to CFC and accompanied by a report of such audit in form and substance satisfactory to CFC, including without limitation a consolidated and consolidating balance sheet and the related consolidated and consolidating statements of income and cash flow. CFC, through its representatives, shall at all times during reasonable business hours and upon prior notice have access to, and the right to inspect and make copies of, any or all books, records and accounts, and any or all invoices, contracts, leases, payrolls, canceled checks, statements and other documents and papers of every kind belonging to or in the possession of the Borrower or in anyway pertaining to its property or business.

H. **Notice of Additional Secured Debt.** The Borrower will notify CFC promptly in writing if it incurs any additional secured indebtedness other than indebtedness to CFC or indebtedness otherwise provided for in the Mortgage.

I. **Funds Requisition.** The Borrower agrees (i) that CFC may rely conclusively upon the written instructions submitted to CFC in the Borrower's written request for an Advance hereunder, (ii) that such instructions shall constitute a covenant under this Agreement to repay the Advance in accordance with such instructions, the applicable Note, the Mortgage, the Project Agreement and this Agreement, and (iii) to request Advances only for the purposes set forth in Schedule 1 hereto.

J. **Compliance With Laws.** The Borrower and each Subsidiary shall remain in compliance, in all material respects, with all applicable requirements of law and applicable rules and regulations of each Governmental Authority.

K. **Taxes.** The Borrower shall pay, or cause to be paid all taxes, assessments or governmental charges lawfully levied or imposed on or against it and its properties prior to the time they become delinquent, except for any taxes, assessments or charges that are being contested in good faith and with respect to which adequate reserves as determined in good faith by the Borrower have been established and are being maintained.

L. **Further Assurances.** The Borrower shall execute any and all further documents, financing statements, agreements and instruments, and take all such further actions (including the filing and recording of financing statements, fixture filings, mortgages, deeds of trust and other documents), which may be required under any applicable law, or which CFC may reasonably request, to effectuate the transactions contemplated by the Loan Documents or to grant, preserve, protect or perfect the Liens created or intended to be created thereby. The Borrower also agrees to provide to CFC, from time to time upon request, evidence reasonably satisfactory to CFC as to the perfection and priority of the Liens created or intended to be created by the Loan Documents.

M. **Environmental Covenants.** Borrower shall:

(i) at its own cost, comply in all material respects with all applicable Environmental Laws, including, but not limited to, any required remediation; and

(ii) if it receives any written communication alleging Borrower's violation of any Environmental Law, provide CFC with a copy thereof within ten (10) Business Days after receipt, and promptly take appropriate action to remedy, cure, defend, or otherwise affirmatively respond to the matter.

N. **Limitations on Loans, Investments and Other Obligations.** The aggregate amount of all purchases, investments, loans, guarantees, commitments and other obligations described in

Section 5.02.D(i) of this Agreement shall at all times be less than fifteen percent (15%) of Total Utility Plant or fifty percent (50%) of Equity, whichever is greater.

**O. Tax Status of the CREBs.** The Borrower shall utilize the Project or cause it to be utilized as provided in the Project Agreement until the CREB Maturity Date. No use will be made of the proceeds of the CREBs other than as set forth herein and in the Project Agreement and no changes will be made in the Project or in the operation or beneficial use thereof (including, without limiting the generality of the foregoing, the use of the Project by the Borrower or any related person) without an opinion of Bond Counsel that such a use or change will not adversely affect the eligibility of the CREBs to qualify for a tax credit for the owner thereof, for federal income tax purposes. The Borrower agrees and warrants that it will not take or authorize or permit any action to be taken and has not taken or authorized or permitted any action to be taken and will not fail to take any action to comply with the Project Agreement which adversely affects the eligibility of the CREBs to qualify for a tax credit for the owner thereof, for federal income tax purposes. This agreement and warranty shall survive the termination of this Agreement.

**P. Completion Certificate.** The Borrower shall submit to CFC within 30 days after the completion of the Project, a Completion Certificate signed by an Authorized Officer of the Borrower.

**Q. Termination Certificate.** If the Borrower determines that the Project will not be completed as described in Section 5.01.P above, then the Borrower shall submit to CFC a Termination Certificate, within 30 days of a determination that:

(i) no further acquisition, construction or installation will occur with respect to the Project; and

(ii) the Borrower does not intend to make any further Advances.

**R. Other Information.** The Borrower shall furnish such other information as CFC may reasonably require relating to the Project.

**Section 5.02 Negative Covenants.** The Borrower covenants and agrees with CFC that until payment in full of the Note and performance of all obligations of the Borrower hereunder, the Borrower will not, directly or indirectly, without CFC's prior written consent:

**A. Limitations on Mergers.** Consolidate with, merge, or sell all or substantially all of its business or assets, or enter into an agreement for such consolidation, merger or sale, to another entity or person unless such action is either approved, as is evidenced by the prior written consent of CFC, or the purchaser, successor or resulting corporation is or becomes a member in good standing of CFC and assumes the due and punctual payment of the Note and the due and punctual performance of the covenants contained in the Mortgage and this Agreement.

**B. Limitations on Sale, Lease or Transfer of Capital Assets; Application of Proceeds.** Sell, lease or transfer (or enter into an agreement to sell, lease or transfer) any capital asset, except in accordance with this Section 5.02.B. If no Event of Default (and no event which with notice or lapse of time and notice would become an Event of Default) shall have occurred and be continuing, the Borrower may, without the prior written consent of CFC, sell, lease or transfer (or enter into an agreement to sell, lease or transfer) any capital asset in exchange for fair market value consideration paid to the Borrower if the value of such capital asset is less than five percent (5%) of Total Utility Plant and the aggregate value of capital assets sold, leased or transferred in any 12-month period is less than ten percent (10%) of Total Utility Plant.

**C. Limitation on Dividends, Patronage Refunds and Other Distributions.**

(i) Make Distributions in any calendar year if, after giving effect to the Distribution, the total Equity of the Borrower will be less than twenty percent (20%) of its Total Assets.

(ii) If, after giving effect to the Distribution, the total Equity of the Borrower will be less than twenty percent (20%) of its Total Assets, then the Borrower may nevertheless make Distributions of up to thirty percent (30%) of its total margins for the preceding calendar year.

(iii) Notwithstanding anything to the contrary in subparagraphs (i) and (ii) above, the Borrower shall not make any Distribution without the prior written consent of CFC if an Event of Default under this Agreement has occurred and is continuing.

**D. Limitations on Loans, Investments and Other Obligations.**

(i) (a) Purchase, or make any commitment to purchase, any stock, bonds, notes, debentures, or other securities or obligations of or beneficial interests in, (b) make, or enter into a commitment to make, any other investment, monetary or otherwise, in, (c) make, or enter into a commitment to make, any loan to, or (d) guarantee, assume, or otherwise become liable for, or enter into a commitment to guarantee, assume, or otherwise become liable for, any obligation of any Person if, after giving effect to such purchase, investment, loan, guarantee or commitment, the aggregate amount thereof would exceed the greater of fifteen percent (15%) of Total Utility Plant or fifty percent (50%) of Equity.

(ii) The following shall not be included in the limitation of purchases, investments, loans and guarantees in (i) above: (a) bonds, notes, debentures, stock, or other securities or obligations issued by or guaranteed by the United States or any agency or instrumentality thereof; (b) bonds, notes, debentures, stock, commercial paper, subordinated capital certificates, or any other security or obligation issued by CFC or by institutions whose senior unsecured debt obligations are rated by at least two nationally recognized rating organizations in either of their two highest categories; (c) investments incidental to loans made by CFC; (d) any deposit that is fully insured by the United States; (e) loans and grants made by any Governmental Authority to the Borrower under any rural economic development program, but only to the extent that such loans and grants are non-recourse to the Borrower; and (f) unretired patronage capital allocated to the Borrower by CFC, a cooperative from which the Borrower purchases electric power, or a statewide cooperative association of which Borrower is a member.

(iii) In no event may the Borrower take any action pursuant to subsection (i) if an Event of Default under this Agreement has occurred and is continuing,

**E. Organizational Change.** Change its type of organization or other legal structure, except as permitted by Section 5.02.A. hereof, in which case the Borrower shall provide at least 30 days prior written notice to CFC together with all documentation reflecting such change as CFC may reasonably require.

**F. Notice of Change in Borrower Information.** Change its (i) state of incorporation, (ii) legal name, (iii) mailing address, or (iv) organizational identification number, if it has one, unless the Borrower provides written notice to CFC at least thirty (30) days prior to the effective date of any such change together with all documentation reflecting any such change as CFC may reasonably require.

## ARTICLE VI

## EVENTS OF DEFAULT

**Section 6.01** The following shall be "Events of Default" under this Agreement:

**A. Representations and Warranties.** Any representation or warranty made by the Borrower herein, or in any of the other Loan Documents, or in any certificate or financial statement furnished to CFC hereunder or under any of the other Loan Documents shall prove to be false or misleading in any material respect.

**B. Payment.** The Borrower shall fail to pay (whether upon stated maturity, by acceleration, or otherwise) any principal, interest, premium (if any) or other amount payable under the Note and the Loan Documents within five (5) Business Days after the due date thereof.

**C. Other Covenants.**

**(i) No Grace Period.** Failure of the Borrower to observe or perform any covenant or agreement contained in the Project Agreement or in Sections 5.01.A, 5.01.B, 5.01.D, 5.01.E, 5.01.G, 5.01.I, 5.01.N, 5.01.O and 5.02 of this Agreement.

**(ii) Thirty Day Grace Period.** Failure of the Borrower to observe or perform any other covenant or agreement contained in this Agreement or any of the other Loan Documents, which shall remain unremedied for thirty (30) calendar days after written notice thereof shall have been given to the Borrower by CFC.

**D. Legal Existence, Permits and Licenses.** The Borrower shall forfeit or otherwise be deprived of (i) its authority to conduct business in the jurisdiction in which it is organized or in any other jurisdiction where such authority is required in order for the Borrower to conduct its business in such jurisdiction or (ii) permits, easements, consents or licenses required to carry on any material portion of its business.

**E. Other CFC Obligations.** The Borrower shall be in breach or default of any Obligation, which breach or default continues uncured beyond the expiration of any applicable grace period.

**F. Other Obligations.** The Borrower shall (i) fail to make any payment of any principal, premium or any other amount due or interest on any indebtedness with parties other than CFC which shall remain unpaid beyond the expiration of any applicable grace period, or (ii) be in breach or default with respect to any other term of any evidence of any other indebtedness with parties other than CFC or of any loan agreement, mortgage or other agreement relating thereto which breach or default continues uncured beyond the expiration of any applicable grace period, if the effect of such failure, default or breach is to cause the holder or holders of that indebtedness to cause that indebtedness to become or be declared due prior to its stated maturity (upon the giving or receiving of notice, lapse of time, both or otherwise).

**G. Involuntary Bankruptcy.** An involuntary case or other proceeding shall be commenced against the Borrower seeking liquidation, reorganization or other relief with respect to it or its debts under bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property and such involuntary case or other proceeding shall continue without dismissal or

stay for a period of sixty (60) days; or an order for relief shall be entered against the Borrower under the federal bankruptcy laws or applicable state law as now or hereafter in effect.

**H. Insolvency.** The Borrower shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall admit in writing its inability to, or be generally unable to, pay its debts as they become due, or shall take any action to authorize any of the foregoing.

**I. Dissolution or Liquidation.** Other than as provided in subsection H. above, the dissolution or liquidation of the Borrower, or failure by the Borrower promptly to forestall or remove any execution, garnishment or attachment of such consequence as will impair its ability to continue its business or fulfill its obligations and such execution, garnishment or attachment shall not be vacated within sixty (60) days. The term "dissolution or liquidation of the Borrower", as used in this subsection, shall not be construed to include the cessation of the corporate existence of the Borrower resulting either from a merger or consolidation of the Borrower into or with another corporation following a transfer of all or substantially all its assets as an entirety, under the conditions set forth in Section 5.02.A.

**J. Material Adverse Change.** Any material adverse change in the business or condition, financial or otherwise, of the Borrower.

**K. Monetary Judgment.** The Borrower shall suffer any money judgment not covered by insurance, writ or warrant of attachment or similar process involving an amount in excess of $100,000 and shall not discharge, vacate, bond or stay the same within a period of sixty (60) days.

**L. Nonmonetary Judgment.** One or more nonmonetary judgments or orders (including, without limitation, injunctions, writs or warrants of attachment, garnishment, execution, distraint, replevin or similar process) shall be rendered against the Borrower that, either individually or in the aggregate, could reasonably be expected to have a material adverse effect upon the business, operations, prospects, assets, liabilities or financial condition of the Borrower.

## ARTICLE VII

## REMEDIES

**Section 7.01** If any of the Events of Default listed in Section 6 hereof shall occur after the date of this Agreement and shall not have been remedied within the applicable grace periods specified therein, then CFC may:

(i) Cease making Advances hereunder;

(ii) Declare all unpaid principal outstanding on the Note, all accrued and unpaid interest thereon, and all other Obligations to be immediately due and payable and the same shall thereupon become immediately due and payable without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived;

(iii) Exercise rights of setoff or recoupment and apply any and all amounts held, or hereby held, by CFC or owed to the Borrower or for the credit or account of the Borrower against any and all of the Obligations of the Borrower now or hereafter existing hereunder or under the Note, including, but not limited to, patronage capital allocations and retirements, money due to Borrower from equity certificates purchased from CFC, and any membership or other fees that would otherwise be returned to Borrower but excluding any LCTCs purchased by the Borrower pursuant to this Agreement. The rights of CFC under this section are in addition to any other rights and remedies (including other rights of setoff or recoupment) which CFC may have. The Borrower waives all rights of setoff, deduction, recoupment or counterclaim;

(iv) Pursue all rights and remedies available to CFC that are contemplated by the Mortgage and the other Loan Documents in the manner, upon the conditions, and with the effect provided in the Mortgage and the other Loan Documents, including, but not limited to, a suit for specific performance, injunctive relief or damages;

(v) Pursue any other rights and remedies available to CFC at law or in equity.

Nothing herein shall limit the right of CFC to pursue all rights and remedies available to a creditor following the occurrence of an Event of Default. Each right, power and remedy of CFC shall be cumulative and concurrent, and recourse to one or more rights or remedies shall not constitute a waiver of any other right, power or remedy.

## ARTICLE VIII

## MISCELLANEOUS

**Section 8.01 Notices.** All notices, requests and other communications provided for herein including, without limitation, any modifications of, or waivers, requests or consents under, this Agreement shall be given or made in writing (including, without limitation, by telecopy) and delivered to the intended recipient at the "Address for Notices" specified below; or, as to any party, at such other address as shall be designated by such party in a notice to each other party. All such communications shall be deemed to have been duly given (i) when personally delivered including, without limitation, by overnight mail or courier service, (ii) in the case of notice by United States mail, certified or registered, postage prepaid, return receipt requested, upon receipt thereof, or (iii) in the case of notice by telecopy, upon transmission thereof, provided such transmission is promptly confirmed by either of the methods set forth in clauses (i) or (ii) above in each case given or addressed as provided for herein. The Address for Notices of each of the respective parties is as follows:

National Rural Utilities Cooperative Finance Corporation
2201 Cooperative Way
Herndon, Virginia 20171-3025
Attention: Senior Vice President – Member Services
Fax # 703-709-6776

The Borrower:

The address set forth in
Schedule 1 hereto

**Section 8.02 Expenses.** Borrower shall reimburse CFC for any reasonable costs and out-of-pocket expenses paid or incurred by CFC (including, without limitation, reasonable fees and expenses of outside attorneys, paralegals and consultants) for all actions CFC takes, (a) to enforce the payment of any Obligation, to effect collection of any Mortgaged Property, or in preparation for such enforcement or collection, (b) to institute, maintain, preserve, enforce and foreclose on CFC's security interest in or Lien on any of the Mortgaged Property, whether through judicial proceedings or otherwise, (c) to restructure any of the Obligations, (d) to review, approve or grant any consents or waivers hereunder, (e) to prepare, negotiate, execute, deliver, review, amend or modify this Agreement, (f) to prepare, negotiate, execute, deliver, review, amend or modify any other agreements, documents and instruments deemed necessary or appropriate by CFC in connection with any of the foregoing, and (g) to obtain any opinions required to be furnished upon a Determination of Tax Credit Ineligibility and an extraordinary prepayment as set forth in Section 3.04 hereof or a rescission of excess money as set forth in Section 3.05 or a cancellation of excess moneys as set forth in Section 3.06.

The amount of all such expenses identified in this Section 8.02 shall be secured by the Mortgage and shall be payable upon demand, and if not paid, shall accrue interest at the Default Rate.

**Section 8.03 Late Payments.** If payment of any amount due hereunder is not received at CFC's office in Herndon, Virginia, or such other location as CFC may designate to the Borrower within five (5) Business Days after the due date thereof, the Borrower will pay to CFC, in addition to all other amounts due under the terms of the Loan Documents, any late payment charge as may be fixed by CFC from time to time pursuant to its policies of general application as in effect from time to time.

**Section 8.04. Non-Business Day Payments.** If any payment to be made by the Borrower hereunder shall become due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall be included in computing any interest in respect of such payment.

**Section 8.05 Filing Fees.** To the extent permitted by law, the Borrower agrees to pay all expenses of CFC (including the reasonable fees and expenses of its counsel) in connection with the filing, registration, recordation or perfection of the Mortgage and any other security instruments as may be required by CFC in connection with this Agreement, including, without limitation, all documentary stamps, recordation and transfer taxes and other costs and taxes incident to execution, filing, registration or recordation of any document or instrument in connection herewith. The Borrower agrees to save harmless and indemnify CFC from and against any liability resulting from the failure to pay any required documentary stamps, recordation and transfer taxes, recording costs, or any other expenses incurred by CFC in connection with this Agreement. The provisions of this subsection shall survive the execution and delivery of this Agreement and the payment of all other amounts due under the Loan Documents.

**Section 8.06 Waiver; Modification.** No failure on the part of CFC to exercise, and no delay in exercising, any right or power hereunder or under the other Loan Documents shall operate as a waiver thereof, nor shall any single or partial exercise by CFC of any right hereunder, or any abandonment or discontinuance of steps to enforce such right or power, preclude any other or further exercise thereof or the exercise of any other right or power. No modification or waiver of any provision of this Agreement, the Note or the other Loan Documents and no consent to any departure by the Borrower therefrom shall in any event be effective unless the same shall be in writing by the

party granting such modification, waiver or consent, and then such modification, waiver or consent shall be effective only in the specific instance and for the purpose for which given.

**SECTION 8.07 GOVERNING LAW; SUBMISSION TO JURISDICTION; WAIVER OF JURY TRIAL.**

(A) THE PERFORMANCE AND CONSTRUCTION OF THIS AGREEMENT AND THE NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE COMMONWEALTH OF VIRGINIA.

(B) THE BORROWER HEREBY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF THE UNITED STATES COURTS LOCATED IN VIRGINIA AND OF ANY STATE COURT SO LOCATED FOR PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. THE BORROWER IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTIONS THAT IT MAY NOW OR HEREAFTER HAVE TO THE ESTABLISHING OF THE VENUE OF ANY SUCH PROCEEDINGS BROUGHT IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

(C) THE BORROWER AND CFC EACH HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

**SECTION 8.08 INDEMNIFICATION.** THE BORROWER HEREBY INDEMNIFIES AND AGREES TO HOLD HARMLESS, AND DEFEND CFC AND ITS MEMBERS, DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, ATTORNEYS AND REPRESENTATIVES (EACH AN "INDEMNITEE") FOR, FROM, AND AGAINST ALL CLAIMS, DAMAGES, LOSSES, LIABILITIES, COSTS, AND EXPENSES (INCLUDING, WITHOUT LIMITATION, COSTS AND EXPENSES OF LITIGATION AND REASONABLE ATTORNEYS' FEES) ARISING FROM ANY CLAIM OR DEMAND IN RESPECT OF THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS, THE MORTGAGED PROPERTY, OR THE TRANSACTIONS DESCRIBED IN THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS AND ARISING AT ANY TIME, WHETHER BEFORE OR AFTER PAYMENT AND PERFORMANCE OF ALL OBLIGATIONS UNDER THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS IN FULL, EXCEPTING ANY SUCH MATTERS ARISING SOLELY FROM THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF CFC OR ANY INDEMNITEE INCLUDING WITHOUT LIMITATION ANY DETERMINATION MADE OR OTHER ACTION TAKEN BY CFC PURSUANT TO SECTIONS 3.04, 3.05 and 3.06 OF THIS AGREEMENT. NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN SECTION 8.10 HEREOF, THE OBLIGATIONS IMPOSED UPON THE BORROWER BY THIS SECTION SHALL SURVIVE THE REPAYMENT OF THE NOTE, THE TERMINATION OF THIS AGREEMENT AND THE TERMINATION OR RELEASE OF THE LIEN OF THE MORTGAGE.

**Section 8.09 Complete Agreement.** This Agreement, together with the schedules to this Agreement, the Note and the other Loan Documents, and the other agreements and matters referred to herein or by their terms referring hereto, is intended by the parties as a final expression of their agreement and is intended as a complete statement of the terms and conditions of their agreement. In the event of any conflict in the terms and provisions of this Agreement and any other Loan Documents, the terms and provisions of this Agreement shall control.

**Section 8.10 Survival; Successors and Assigns.** All covenants, agreements, representations and warranties of the Borrower which are contained in this Agreement shall survive the execution and delivery to CFC of the Loan Documents and the making of the Loan hereunder and shall continue in full force and effect until all of the obligations under the Loan Documents have been paid in full. All covenants, agreements, representations and warranties of the Borrower which are contained in this Agreement shall inure to the benefit of the successors and assigns of CFC. The Borrower shall not have the right to assign its rights or obligations under this Agreement without the prior written consent of CFC, except as provided in Section 5.02.A hereof.

**Section 8.11 Use of Terms.** The use of the singular herein shall also refer to the plural, and vice versa.

**Section 8.12 Headings.** The headings and sub-headings contained in this Agreement are intended to be used for convenience only and do not constitute part of this Agreement.

**Section 8.13 Severability.** If any term, provision or condition, or any part thereof, of this Agreement, the Note or the other Loan Documents shall for any reason be found or held invalid or unenforceable by any governmental agency or court of competent jurisdiction, such invalidity or unenforceability shall not affect the remainder of such term, provision or condition nor any other term, provision or condition, and this Agreement, the Note and the other Loan Documents shall survive and be construed as if such invalid or unenforceable term, provision or condition had not been contained therein.

**Section 8.14 Binding Effect.** This Agreement shall become effective when it shall have been executed by both the Borrower and CFC and thereafter shall be binding upon and inure to the benefit of the Borrower and CFC and their respective successors and assigns.

**Section 8.15 Counterparts.** This Agreement may be executed in one or more counterparts, each of which will be deemed an original and all of which together will constitute one and the same document. Signature pages may be detached from the counterparts and attached to a single copy of this Agreement to physically form one document.

**Section 8.16 Disclosure.** This Agreement and any other Loan Document may be shared by CFC with such Persons as shall be required in order to facilitate the issuance of the CREBs, including, but not limited to, its attorneys, underwriters and investors in the CREBs.

**Section 8.17 Schedule 1.** Schedule 1 attached hereto is an integral part of this Agreement.

**IN WITNESS WHEREOF,** the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

SULPHUR SPRINGS VALLEY
ELECTRIC COOPERATIVE, INC.

(SEAL)

By: Gene Manning

Title: President

Attest: _____
~~Secretary~~

CREDEN W. HUBER
CHIEF EXECUTIVE OFFICER

NATIONAL RURAL UTILITIES
COOPERATIVE FINANCE CORPORATION

(SEAL)

By: Marianne Dusold
Assistant Secretary-Treasurer

MARIANNE L DUSOLD

Attest: _____
Assistant Secretary-Treasurer

CRAIG COLANTONI

## SCHEDULE 1

1. The purpose of this loan is to finance (i) the reimbursement of the cost of the Project of the Borrower, including any reasonable costs and expenses incurred by the Borrower in connection with financing the Project, as described and permitted by the terms of the Project Agreement and (ii) a portion of CFC's costs in issuing the CREBs as set forth in Section 3.02.A.

2. The Project of the Borrower being financed by the Loan (funded by proceeds of the CREBs) constitutes the following clean renewable energy facilities:

   Double Adobe Elementary School District Photovoltaic Solar Automobile Parking Shade Structure

   This project will place a photovoltaic module that will produce 23 kW of electricity in the shade structure at the Double Adobe Elementary School. The PV structure will provide electricity to the school with excess power flowing to the Borrower's system.

3. Subject to the terms of this Agreement, CFC has agreed to loan to the Borrower from proceeds of the CREBs, an amount not to exceed $280,000.00 (the "CFC Commitment").

4. Draw Period shall mean the period beginning on the Closing Date and ending on the date that is five (5) years thereafter.

5. The Borrower shall not purchase the LCTCs or any portion thereof with funds from the Loan. The Borrower shall use its own funds or funds borrowed under another credit facility to purchase such LCTCs, subject to the CFC policies regarding LCTCs set forth in the following paragraph.

   **CFC Policies Regarding LCTCs:** (i) Any solvent Member of CFC with an outstanding LCTC purchased in connection with a loan from the proceeds of Securities may borrow the outstanding amount of the LCTC from CFC without a further credit review, for a term equal to or shorter than the maturity of the LCTC at a rate equal to the comparable rate charged by CFC for similarly classified loans; and (ii) any Member of CFC with an outstanding LCTC purchased in connection with a loan from the proceeds of Securities may sell such LCTC to another Member of CFC for consideration.

6. The Mortgage shall mean the Restated Mortgage and Security Agreement, dated as of December 6, 2007, between the Borrower and CFC, as it may have been supplemented, amended, consolidated, or restated from time to time.

7. The Note executed pursuant hereto is as follows:

| LOAN NUMBER | AMOUNT |
|---|---|
| AZ014-A-9037-CB001 | $280,000.00 |

8. The Subsidiaries of the Borrower referred to in Section 2.01.B. are: None

9. The date of the Borrower's balance sheet referred to in Section 2.01.H is June 30, 2006.

10. The Borrower's exact legal name is: Sulphur Springs Valley Electric Cooperative, Inc.

11. The Borrower's organizational type is: Corporation

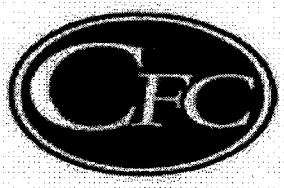
12. The Borrower is organized under the laws of the state of: Arizona

13. The Borrower's organizational identification number is: 0038220-2

14. The place of business or, if more than one, the chief executive office of the Borrower referred to in Section 2.01.I is 311 East Wilcox, Sierra Vista, Arizona 85635.

15. The Governmental Authority referred to in Section 2.01.J. is: Arizona Corporation Commission

16. The address for notices to the Borrower referred to in Section 8.01 is 311 East Wilcox, Sierra Vista, Arizona 85635, Attention: General Manager, Fax: (520) 384-5223.



## Exhibit A - Funds Requisition Statement

Borrower Name & ID: Sulphur Springs Valley Electric Cooperative, Inc. (AZ014)
Loan Number: AZ014-A-9037-CB001
Loan Agreement and Project Agreement with CFC dated:
CREBs Series: 2008A
CFC CREBs Application #: 7
Name of Project: Double Adobe Elementary School District Photovoltaic Solar Automobile Parking Shade Structure
Funds Requisition Statement No.:

**Amount Requested:**
**Date Of Advance:**

**Disposition of Funds (wiring instructions):**

### Certification

Acting on behalf of the Borrower, I hereby certify that as of the date below: (1) I am duly authorized to make this certification and to request funds on the terms specified herein; (2) the Borrower has met all of the conditions contained in the Loan Agreement and the Project Agreement listed above governing the terms of this Advance that the Borrower is required to meet prior to an Advance of funds; (3) all of the representations and warranties contained in said Loan Agreement and Project Agreement are true and will continue to be true upon use of the funds as hereby requested; (4) no Event of Default, under the Loan Agreement or the Borrower's Mortgage, has occurred and is continuing; (5) I know of no other event that has occurred which, with the lapse of time and/or notification to CFC of such event, or after giving effect to this Advance, would become an Event of Default under the Loan Agreement or the Borrower's Mortgage; (6) the funds requested herein will be used only as a reimbursement for the purposes specified in the Loan Agreement and the Project Agreement; (7) the costs to be reimbursed by the funds requested herein are capital expenditures and have not previously been reimbursed under a previous Funds Requisition Statement; (8) the Borrower has secured sufficient funds to complete the Project; (9) any necessary permits and approvals required for the Project at this point have been obtained; (10) the Borrower is maintaining a file containing true and correct copies of invoices or bills of sale covering all items for which payment is sought by this request; (11) such costs have been incurred and paid by the Borrower in connection with the Project; (12) the Borrower is not using the funds requested hereby to make any payments of principal or interest due under the Loan Agreement; (13) no expenditure which is being reimbursed by the funds requested hereby was paid more than eighteen months after the later of (i) the date the expenditure is paid or (ii) the date the Project is placed in service, but in no event later than three years after the date the original expenditure was paid; and (14) set forth below is a table listing all of the major components of the Project, how much is being requested in this Funds Requisition Statement as an advance for certain components, how much has been

advanced on each component to date, the percentage of each component that is completed to date, and the purpose of the advance(s) being requested by this Funds Requisition Statement.

I hereby authorize CFC, for and on behalf of the Borrower, to forward this Funds Requisition Statement to the Trustee for disbursement of the Advance from the Project Account relating to the above Loan to the Borrower on the following terms, and hereby acknowledge and agree that such terms shall be binding upon Borrower under the provisions of the Loan Agreement governing this Advance:

| Project Component | Amount Expended to Date by Borrower | Amount Advanced to Date | Advance Amount Requested Herein | Percentage Complete |
|---|---|---|---|---|
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| | | | | |
| Total | | | | |

Certified By:

_____ _____ _____

Signature Date Title of Authorized Officer

**PLEASE FAX TO 703-709-6776 ATTN: _____, Associate Vice President**

APPROVED:

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION

By: _____
Title: _____
Date: _____

**EXHIBIT B**

**BRING-DOWN CERTIFICATE**
**OF**
**BORROWER**

The undersigned, _____, duly qualified officers of SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (the *"Borrower"*), an Arizona corporation, hereby certify as follows:

1. The following documents have been duly executed, and delivered or accepted in the name and on behalf of the Borrower by the authorized officer or officers of the Borrower pursuant to, and in full compliance with, authority granted by the Board of Trustees/Directors of the Borrower:

| DOCUMENT | DATE | OTHER PARTY OR PARTIES |
|---|---|---|
| Loan Agreement (the *"Agreement"*) | _____, 200_ | National Rural Utilities Cooperative Finance Corporation (*"CFC"*) |
| Project Agreement (the *"Project Agreement"*) | _____, 200_ | |
| Note (the *"Note"*) | _____, 200_ | |

2. Each of the representations and warranties of the Borrower in the Loan Agreement and the Project Agreement are true and correct on and as of the date hereof (the *"Closing Date"*), and the Borrower has complied with all agreements and satisfied all conditions on its part to be observed or satisfied thereunder at or prior to the Closing Date.

IN WITNESS WHEREOF, the undersigned have hereunto set their signatures this ____ day of _____, 2008.

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

By _____
Title:

By _____
Title:

**EXHIBIT C**

**COMPLETION CERTIFICATE**
**OF**
**BORROWER**

Pursuant to the Loan Agreement dated as of _____ by and between SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (the "Borrower") and National Rural Utilities Cooperative Finance Corporation ("CFC") relating to CFC Loan Number AZ014-A-9037-CB001 (the "Loan Agreement"), the undersigned, _____, duly qualified officer of the Borrower, hereby certifies as follows:

(i) On [date of completion] all portions of the Project (as defined in the Loan Agreement) have been fully completed substantially in accordance with any plans and specifications therefore, as then amended; and

(ii) Amount advanced on the Loan (as defined in the Loan Agreement) and the use of the property financed, refinanced or reimbursed therefrom will not cause any of the representations or certifications contained in the Project Agreement (as defined in the Loan Agreement) to be untrue or result in a violation of any covenant in the Project Agreement.

IN WITNESS WHEREOF, the undersigned have hereunto set his/her signature this ____ day of _____, 20____.

SULPHUR SPRINGS VALLEY ELECTRIC
COOPERATIVE, INC.

By _____
Title:

**EXHIBIT D**

**TERMINATION CERTIFICATE**
**OF**
**BORROWER**

Pursuant to the Loan Agreement dated as of _____ by and between SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (the "Borrower") and National Rural Utilities Cooperative Finance Corporation ("CFC") relating to CFC Loan Number AZ014-A-9037-CB001 (the "Loan Agreement"), the undersigned, _____, duly qualified officer of the Borrower, hereby certifies as follows:

(i) all portions of the Project (as defined in the Loan Agreement) have not been fully completed substantially in accordance with any plans and specifications therefor, as then amended;

(ii) no further acquisition, construction or installation will occur with respect to the Project (as defined in the Loan Agreement); and

(iii) the Borrower does not intend to request any further Advances (as defined in the Loan Agreement) on the Loan (as defined in the Loan Agreement).

IN WITNESS WHEREOF, the undersigned have hereunto set his/her signature this ____ day of _____, 20____.

SULPHUR SPRINGS VALLEY ELECTRIC
COOPERATIVE, INC.

By _____
Title:

**SECURED PROMISSORY NOTE**

$280,000.00 dated as of 12/21/2007

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC., an Arizona corporation (the "Borrower"), for value received, hereby promises to pay, without setoff, deduction, recoupment or counterclaim, to the order of NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION (the "Payee"), at its office in Herndon, Virginia office or such other location at its office in Herndon, Virginia or such other location as the Payee may designate to the Borrower, in lawful money of the United States, the principal sum of TWO HUNDRED EIGHTY THOUSAND AND 00/100 DOLLARS ($280,000.00), or such lesser sum of the aggregate unpaid principal amount of all advances made by the Payee pursuant to that certain Loan Agreement dated as of even date herewith between the Borrower and the Payee, as it may be amended from time to time (herein called the "Loan Agreement"), and to pay interest on all amounts remaining unpaid hereunder from the date of each advance in like money, at said office, at the rate and in amounts and payable on the dates provided in the Loan Agreement together with any other amount payable under the Loan Agreement. If not sooner paid, any balance of the principal amount and interest accrued thereon shall be due and payable on the Maturity Date.

This Note is secured under a Restated Mortgage and Security Agreement, dated of December 6, 2007 between the Borrower and the Payee, as it may have been or shall be supplemented, amended, consolidated or restated from time to time ("Mortgage"). This Note is one of the Notes referred to in, and has been executed and delivered pursuant to, the Loan Agreement.

The principal hereof and interest accrued thereon and any other amount due under the Loan Agreement may be declared to be forthwith due and payable in the manner, upon the conditions, and with the effect provided in the Mortgage or the Loan Agreement.

The Borrower waives demand, presentment for payment, notice of dishonor, protest, notice of protest, and notice of non-payment of this Note.

IN WITNESS WHEREOF the Borrower has caused this Note to be signed in its corporate name and its corporate seal to be hereunto affixed and to be attested by its duly authorized officers, all as of the day and year first above written.

SULPHUR SPRINGS VALLEY
ELECTRIC COOPERATIVE, INC.

(SEAL)

By: Gene Manning

Title: President

Attest: _____
~~Secretary~~

CREDEN W. HUBER
CHIEF EXECUTIVE OFFICER

Loan No. AZ014-A-9038-CB001

CFC NOTE
AZ014-A-9038-CB001 (JABLONJ)
116039-2

**PROJECT AGREEMENT**

**OF**

**SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (THE *"BORROWER"*)**

DATED: as of 12/21/2007

The undersigned is a duly qualified officer of the Borrower named above and, as such officer, is familiar with (i) the properties, affairs and records of the Borrower, (ii) the issuance of the Securities (as hereinafter defined) and the use of the proceeds thereof as it relates to the Borrower and (iii) the Project, as hereinafter defined.

In connection with the issuance of the Clean Renewable Energy Bonds (Cooperative Renewable Energy Projects) Series 2008A (the *"Securities"*), being issued by the National Rural Utilities Cooperative Finance Corporation (the *"Issuer"*), the undersigned hereby certifies and covenants regarding the use of the proceeds of the Securities advanced to the Borrower, as follows:

1. General.

1.1 This Project Agreement is made pursuant to Section 54 of the Internal Revenue Code of 1986, as amended (the *"Code"*), and any United States Treasury regulations and other guidance thereunder to make the certifications required by Section 54 of the Code and any United Stares Treasury regulations and other guidance thereunder and to establish the reasonable expectations of the Borrower with respect to the amount and use of amounts to be advanced to the Borrower pursuant to the Loan Agreement dated as of even date herewith between the Issuer and the Borrower (the *"Loan Agreement"*). Capitalized terms used herein are defined where they first appear or are defined in *Exhibit A* attached hereto.

1.2 This Project Agreement is based on facts and estimates in existence on the date hereof and the continued veracity of these facts and estimates as of the date that the Securities are issued (the *"Closing"*) will be confirmed by the Borrower on the date of Closing, and on the basis of such facts and estimates, the Borrower expects that the events described herein will occur. To the best of the undersigned's knowledge, information, and belief, the expectations contained in this Project Agreement are reasonable.

1.3 The Borrower is a Qualified Borrower, as defined in *Exhibit A*, and is responsible for the acquiring/constructing/equipping of the Project (defined below). The undersigned has reviewed this Project Agreement, as well as the provisions of Section 54 of the Code and any United States Treasury regulations and other guidance thereunder, with its own legal counsel and understands and is familiar with this Project Agreement and the provisions of Section 54 and any United States Treasury regulations and other guidance thereunder. The Borrower will

comply in all respects with the provisions of Section 54 and any United States Treasury regulations and other guidance thereunder.

1.4 The Borrower agrees to keep and retain or cause to be kept and retained sufficient records to demonstrate compliance with the covenants in this Project Agreement. Such records shall include, but are not limited to, basic records relating to the issuance of the Securities (including this Project Agreement and the inducement resolution as described in Section 3.3 hereof); documentation evidencing the expenditure of amounts advanced to the Borrower pursuant to the Loan Agreement; documentation evidencing the use of property financed with amounts advanced to the Borrower pursuant to the Loan Agreement; and documentation evidencing all sources of payment or security maintained by the Borrower for amounts advanced to the Borrower pursuant to the Loan Agreement. Such records shall be kept until the date three (3) years after the CREB Maturity Date.

1.5 Neither the Borrower nor any Related Person (as defined in Exhibit A) to the Borrower will purchase any Securities.

2. Qualified Project.

2.1 The Loan Agreement requires the amounts advanced thereunder to be used for facilities to be owned by the Borrower, described in more detail in Section 2.2 hereof and in *Exhibit B* attached hereto as the "Updated Description of the Project" (the *"Project"*). The Project was originally described in an exhibit to the Application for National Clean Renewable Energy Bond Limitation submitted to the Internal Revenue Service by the Issuer in support of the national clean renewable energy bond allocation received by the Issuer, which "Original Description of the Project" is attached hereto as *Exhibit C*.

2.2 The Project is a Solar Energy Facility (the *"Qualifying Facility"*), as defined in *Exhibit A* and property functionally related and subordinate thereto, as further described in *Exhibit B*, attached hereto.

3. Clean Renewable Energy Bonds Qualification.

3.1 At least 95 percent of the proceeds advanced to the Borrower pursuant to the Loan Agreement will be used by the Borrower for capital expenditures with respect to the Project. None of the proceeds of the Loan (as defined in the Loan Agreement) will be paid to the Issuer, the Borrower or any Related Person to the Issuer or the Borrower, except for amounts paid to the Borrower to reimburse the Borrower for actual and direct expenditures relating to the Project paid by the Borrower to persons other than the Issuer, the Borrower or any Related Person to the Issuer or the Borrower.

3.2 The Borrower has incurred or will, within six months of the Closing Date, incur a substantial binding obligation (not subject to contingencies within the control of the Issuer, the Borrower or any Related Person to either of them) to a third party

to expend at least ten percent of the Loan Amount (*i.e.* the total amount to be advanced to the Borrower pursuant to the Loan Agreement). It is expected that the work of acquiring/constructing/equipping the Project and the expenditure of the Loan Amount will proceed with due diligence through October 27, 2008, at which time it is anticipated that the Loan Amount will have been spent in its entirety. The Borrower acknowledges that, to the extent that less than 95 percent of the Loan Amount is expended by a date five years from the date of issuance of the Securities, the Borrower will be required to prepay its Loan in an amount, and the Issuer will redeem Securities at the end of such five-year period in an amount, necessary to maintain the tax credit with respect to the Securities, unless otherwise permitted by Section 6.5 hereof.

It is expected that all amounts advanced to the Borrower under the Loan Agreement will be spent to pay costs of the Project in accordance with the estimated periodic drawdown schedule contained in *Exhibit D,* attached hereto. The assumptions set forth in this Section 3.2 and on *Exhibit D,* attached hereto, represent the Borrower's best estimate, as of this date, of the periodic drawdown schedule of the Loan Amount.

3.3 The Borrower may use amounts advanced to the Borrower under the Loan Agreement to reimburse itself for expenditures paid prior to the date of issuance of the Securities. The Borrower shall reimburse itself for expenditures paid prior to the date of issuance of the Securities only if such expenditure was paid after the Borrower adopted an inducement resolution, and the expenditure is described in such inducement resolution.

**The Borrower shall use proceeds of the Loan to reimburse itself for expenditures paid prior to the date the Securities were issued only if such reimbursement is made within eighteen months after the later of (i) the date the expenditure is paid or (ii) the date the Project is placed in service, but in no event later than three years after the date the original expenditure was paid.**

Except for any reimbursement allowed under this Section 3.3, no portion of the proceeds advanced to the Borrower will be used to pay for expenditures relating to acquiring existing facilities (as contrasted with costs of enhancements, repair or rehabilitation of existing facilities).

3.4 Neither the Project nor any portion thereof has been, is expected to be, or will be sold or otherwise disposed of, in whole or in part, prior to the last maturity date of the Securities.

3.5 The Borrower has entered into the Loan Agreement of even date hereof under which it is committed to borrow $280,000 from the Issuer of the Securities and the Borrower reasonably expects to borrow and expend the full amount of such commitment.

3.6 At least 75% of the Loan Amount is expected to be used for Construction Purposes.

3.7 The Borrower will not use proceeds of the Loan (i) to pre-pay for goods or services to be received over a period of years prior to the date such goods or services are to be received, or (ii) to pay for or otherwise acquire goods or services from an Affiliated Person, as defined in *Exhibit A*.

3.8 The Borrower shall at all times be a Qualified Borrower.

4. Remedial Action.

4.1 The Borrower agrees to operate the Project as a Qualifying Facility.

The Borrower acknowledges that if property financed with proceeds of the Securities advanced to the Borrower is operated in a manner other than as a Qualifying Facility such operation may constitute a "deliberate action" that may require remedial actions to prevent the tax credit being produced by the Securities from being disallowed.

The Borrower shall promptly contact the Issuer as provided in Section 6.3 hereof if it considers operating property financed with proceeds of the Loan other than as a Qualifying Facility.

4.2 The Borrower acknowledges that if property financed with proceeds of the Loan is sold or otherwise disposed of in a manner contrary to the provisions of Section 3.4 hereof, such sale or disposition may constitute a "deliberate action" that may require remedial actions to prevent the tax credit being produced by the Securities from being disallowed. If the Borrower considers the sale or other disposition of property financed with proceeds of the Loan, it shall promptly contact the Issuer, in the manner set forth in Section 6.3 hereof.

5. Funds and Accounts; Investments.

5.1 After the issuance of the Securities, neither the Borrower nor any Related Person to the Borrower has or will have any property, including cash, securities or any other property held as a passive vehicle for the production of income or for investment purposes, that constitutes:

(i) amounts that have a sufficiently direct nexus to the Securities or to the governmental purpose of the Securities to conclude that the amounts would have been used for that governmental purpose if the Securities were not used or to be used for that governmental purpose (the mere availability or preliminary earmarking of such amounts for a governmental purpose, however, does not itself establish such a sufficient nexus);

(ii) amounts in a debt service fund, redemption fund, reserve fund, replacement fund or any similar fund to the extent reasonably expected to be used directly or indirectly to pay principal of or interest on the Securities or any amounts for which there is provided, directly or indirectly, a reasonable assurance that the amount will be available to pay principal of or interest on the Securities or any credit enhancement or liquidity device with respect to the Securities, even if the Issuer, the Borrower or any Related Person to either of them encounter financial difficulties; or

(iii) any amounts held pursuant to any agreement (such as an agreement to maintain certain levels of types of assets) made for the benefit of the holders of the Securities or any credit enhancement provider, including any liquidity device or negative pledge (*e.g.*, any amount pledged to pay principal of or interest on an issue held under an agreement to maintain the amount at a particular level for the direct or indirect benefit of holders of the Securities or a guarantor of the Securities).

No compensating balance, liquidity account, negative pledge of property held for investment purposes required to be maintained at least at a particular level or similar arrangement exists with respect to, in any way, the Securities or any credit enhancement or liquidity device related to the Securities.

5.2 During the acquiring/constructing/equipping of the Project, the Borrower will only draw down amounts from the Issuer for capital expenditures already paid by the Borrower.

5.3 Neither the Borrower nor any Related Person to the Borrower will enter into any hedge (*e.g.*, an interest rate swap, interest rate cap, futures contract, forward contract or an option) with respect to the Loan or the Securities.

5.4 All property subject to the Mortgage is and will be used by the Borrower in the conduct of its trade or business. The Borrower reasonably expects to repay the Loan from current operating revenues. The Mortgage does not require that cash, securities, obligations, annuity contracts or other property held principally as a passive vehicle for the production of income be maintained, individually or collectively, at any particular level.

6. Miscellaneous.

6.1 This Project Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia.

6.2 Prior to the date 15 days before the Securities were sold, neither the Borrower nor any Related Person to the Borrower has sold or delivered any obligations that are reasonably expected to be paid out of substantially the same source of funds as the Securities. Neither the Borrower nor any Related Person to the Borrower will sell

or deliver within 15 days after the date hereof any obligations that are reasonably expected to be paid out of substantially the same source of funds as the Securities.

6.3 All notices provided for herein shall be given or made in writing (including, without limitation, by telecopy) and delivered to the Issuer at the "Address for Notices" specified below. All such communications shall be deemed to have been duly given (i) when personally delivered including, without limitation, by overnight mail or courier service, (ii) in the case of notice by United States mail, certified or registered, postage prepaid, return receipt requested, upon receipt thereof, or (iii) in the case of notice by telecopy, upon transmission thereof, provided such transmission is promptly confirmed by either of the methods set forth in clauses (i) or (ii) above in each case given or addressed as provided for herein. The Address for Notices of the Issuer is as follows:

National Rural Utilities Cooperative Finance Corporation
2201 Cooperative Way
Herndon, Virginia 20171-3025
Attention: Senior Vice President – Member Services
Fax #703-709-6776

6.4 The Borrower represents that it has not been contacted by the Internal Revenue Service or any issuer of bonds, the proceeds of which were loaned to the Borrower regarding any examination of any tax exempt bonds issued for the benefit of the Borrower. To the best of the knowledge of the Borrower, no such obligations of the Borrower are currently under examination by the Internal Revenue Service.

6.5 Any restriction or covenant contained herein need not be observed or may be changed if such nonobservance or change will not result in the loss of any tax credit under Section 54 of the Code for the purpose of federal income taxation to which the Securities is otherwise entitled and the Borrower receives an opinion of Bond Counsel to such effect and the Issuer agrees to such nonobservance or change.

6.6 If any clause, provision or section of this Project Agreement is ruled invalid by any court of competent jurisdiction, the invalidity of such clause, provision or section shall not affect any of the remaining clauses, sections or provisions hereof.

6.7 The terms, provisions, covenants and conditions of this Project Agreement shall bind and inure to the benefit of the respective successors and assigns of the Issuer and the Borrower.

6.8 This Project Agreement shall terminate on the date three (3) years after the CREB Maturity Date.

The undersigned acknowledge that this Project Agreement is given as a basis for an opinion of the law firm of Chapman and Cutler LLP, Chicago, Illinois, and such firm is hereby authorized to rely on this Project Agreement.

DATED as of the day and year first above written.

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

By Gene Manning

Title President

## EXHIBIT A

## DEFINITIONS

*"Affiliated Person"* means any Person that (a) at any time during the six months prior to the Closing Date, (i) has more than five percent of the voting power of the governing body of the Issuer or the Borrower in the aggregate vested in its directors, officers, owners, and employees or (ii) has more than five percent of the voting power of its governing body in the aggregate vested in directors, officers, board members, owners, members or employees of the Issuer or the Borrower or (b) during the one-year period beginning six months prior to the Closing Date, (i) the composition of the governing body of which is modified or established to reflect (directly or indirectly) representation of the interests of the Issuer or the Borrower (or for which an agreement, understanding, or arrangement relating to such a modification or establishment during that one-year period) or (ii) the composition of the governing body of the Issuer or the Borrower is modified or established to reflect (directly or indirectly) representation of the interests of such Person (or for which an agreement, understanding, or arrangement relating to such a modification or establishment during that one-year period).

*"Bond Counsel"* means Chapman and Cutler LLP or any other nationally recognized firm of attorneys experienced in the field of municipal obligations whose opinions are generally accepted by purchasers of municipal obligations.

*"Closing Date"* means the date the Issuer issues the Securities.

*"Code"* means the Internal Revenue Code of 1986, as amended.

*"Constructed Personal Property"* means tangible personal property (or, if acquired pursuant to a single acquisition contract, properties) or Specially Developed Computer Software if (i) a substantial portion of the property or properties is completed more than six (6) months after the earlier of the date construction or rehabilitation commenced and the date the Borrower entered into an acquisition contract; (ii) based on the reasonable expectations of the Borrower, if any, or representations of the person constructing the property, with the exercise of due diligence, completion of construction or rehabilitation (and delivery to the issuer) could not have occurred within that six-month period; and (iii) if the Borrower itself builds or rehabilitates the property, not more than 75 percent of the capitalizable cost is attributable to property acquired by the Borrower (*e.g.*, components, raw materials, and other supplies).

*"Construction Purposes"* means capital expenditures that are allocable to the cost of Real Property or Constructed Personal Property. Except as provided in the next succeeding sentence, construction expenditures do not include expenditures for acquisitions of interests in land or other existing real property. Expenditures are not for the acquisition of an interest in existing real property other than land if the contract between the seller and the Borrower requires the seller to build or install the property (*e.g.*, a *turnkey contract*), but only to the extent that the property has not been built or installed at the time the parties enter into the contract.

*"Control"* means the possession, directly or indirectly through others, of either of the following discretionary and non-ministerial rights or powers over another entity (i) to approve and to remove without cause a controlling portion of the governing body of a Controlled Entity, or (ii) to require the use of funds or assets of a Controlled Entity for any purpose.

*"Controlled Entity"* means any entity or one of a group of entities that is subject to Control by a Controlling Entity or group of Controlling Entities.

*"Controlled Group"* means a group of entities directly or indirectly subject to Control by the same entity or group of entities, including the entity that has the Control of the other entities.

*"Controlling Entity"* means any entity or one of a group of entities directly or indirectly having Control of any entities or group of entities.

*"CREB Maturity Date"* shall have the meaning ascribed to it in the Loan Agreement.

*"Governmental Body"* means any State, territory, possession of the United States, the District of Columbia, Indian tribal government, and any political subdivision thereof.

*"Mortgage"* means the mortgage and security agreement applicable to substantially all of the property of the Borrower.

*"Qualified Borrower"* means (i) a mutual or cooperative electric company described in Sections 501(c)(12) or 1381(a)(2)(C) of the Code, or (ii) a Governmental Body (as defined above).

*"Real Property"* means land and improvements to land, such as buildings or other inherently permanent structures, including interests in real property. For example, real property includes wiring in a building, plumbing systems, central heating or air-conditioning systems, pipes or ducts, elevators, escalators installed in a building, paved parking areas, roads, wharves and docks, bridges, and sewage lines.

*"Related Person"* means any member of the same Controlled Group as the Issuer or the Borrower and any person related to the Issuer or a Borrower within the meaning of Section 144(a)(3) of the Code.

*"Solar Energy Facility"* means a facility using solar energy to produce electricity.

*"Specially Developed Computer Software"* means any programs or routines used to cause a computer to perform a desired task or set of tasks, and the documentation required to describe and maintain those programs, provided that the software is specially developed and is functionally related and subordinate to real property or other constructed personal property.

*"Tangible Personal Property"* means any tangible property other than real property, including interests in tangible personal property. For example, tangible personal property

includes machinery that is not a structural component of a building, subway cars, fire trucks, automobiles, office equipment, testing equipment, and furnishings.

## EXHIBIT B

### UPDATED DESCRIPTION OF THE PROJECT

| | |
|---|---|
| CFC Application | No. 8 Sulphur Springs Valley EC, Inc. |
| Bond Proceeds Needed for Project: | $280,000 |
| Bond Allocation Requested and Received: | $280,000 |

| | |
|---|---|
| Name of Project<br>Parking Shade Structure | Elfrida Elementary District Photovoltaic Solar Automobile |
| Project Street Address | Elfrida Elementary School<br>4070 Jefferson Road<br>Elfrida, AZ 85610 |
| Phone Number | (520) 642-3428 |
| Fax Number | (520) 642-3236 |
| County | Cochise County |

| | |
|---|---|
| Individual Name to Contact | Jack Blair |
| Company Name | Sulphur Springs Valley Electric Cooperative, Inc. |
| Street Address | 311 E. Wilcox Drive |
| City, State, Zip | Sierra Vista, AZ 85635 |
| Telephone Number | (520) 515-3470 |
| Fax | (520) 458-3467 |

Updated Detailed Description of the Project:

A cantilevered shade structure at a school on the top of which will be constructed a 23kW solar photovoltaic system to supply power to the school. Excess power will flow on to the SSVEC system.

## EXHIBIT C

## ORIGINAL DESCRIPTION OF THE PROJECT

## [COPY OF EXHIBIT A TO ISSUER APPLICATION TO THE IRS]
## CLEAN RENEWABLE ENERGY BONDS APPLICATION
## EXHIBIT A

## SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

## ELFRIDA ELEMENTARY DISTRICT PHOTOVOLTAIC SOLAR SHADE STRUCTURE

This project will place a photovoltaic module costing $280,000, that will produce 23 kW of electricity in the shade structure in the one Elfrida Elementary District school. The PV structure will provide electricity to the respective school at no charge. There will also be a cable connection to a computer in the library of each school to show students how the system is working.

This project is the identical project that Navopache Electric Cooperative in Arizona built in 2001 that continues to function with no issues/problems.

SSVEC will operate and maintain the structure. Any excess power produced will flow back to the SSVEC grid.

The PV structures at the schools will significantly reduce their electric bills, which have been disproportionately large due to the per meter monthly surcharges mandated by the Environmental Portfolio Program (EPP), and approved by the Arizona Corporation Commission. All customers pay the EPP fees to SSVEC, which uses them to fund renewable energy projects. Since each school has many meters, they pay the EPP a disproportionately large amount of dollars. The benefit of reduced electric bills will offset their payments into the fund.

The RFP issued by Sulphur Springs Valley Electric Cooperative follows.

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.
A TOUCHSTONE ENERGY® COOPERATIVE

FOR THE ELECTRIC COOPERATIVES IN THE STATE OF ARIZONA

# REQUEST
# A
# PROPOSAL

FOR

## A PHOTOVOLTAIC SYSTEM
## USED FOR
## SHADE STRUCTURES
## FOR
## PUBLIC BUILDINGS

**ISSUED: AUGUST 1, 2005**

Narrative: The Electric Cooperatives in Arizona (Duncan Valley EC, Graham County EC, Mohave EC, Navopache EC, Sulphur Springs Valley EC, Trico EC and Arizona Electric Power Cooperative, Inc.) request a proposal for a modular designed system to supply a 10 kW to 30 kW Photovoltaic (PV) system. System size is relative to the space available for the PV panels on each site. System may consist of multiple free standing modules interconnected to meet the 10 to 30 kW size requirement. Modules to be used as free standing carports or free standing covers for walkways to provide shade. These systems are to be used at public buildings to increase the awareness of PV systems and operations and systems will be sized based on the available space. Base pricing for 10, 15, 20, 25, and 30 kW systems are requested (systems may be rounded to the nearest 5kW increment). The interconnection cost from the PV system to nearest distribution panel will be on a case by case basis due to the variation in sites. This RFP is not all inclusive and contractor may include other specifications or requirements they feel are necessary for a successful venture.

This RFP is released on August 1,2005 and response must be in a written proposal by October 1, 2005. For questions or clarification of details please contact Albert Gomez (520-515-3473) or David Bane (520-515-3472).

SCOPE OF WORK - THE CONTRACTOR WILL BE RESPONSIBLE FOR THE FOLLOWING:

- Structural design of the supporting PV structures (carport and walkway)
- One line circuit diagrams for approval by local Cooperative's engineering department
- Complete wiring diagrams (to be included in owner manual)
- Isolation transformers as needed to meet the NEC
- Purchase and installation of all components
- Systems test period of 4-6 weeks prior to transfer of title of equipment to site owner

- Any required Permits (Cooperative will reimburse actual cost of permits)
- Meter socket on the A/C output of the inverter(s)
- Interconnection with Customers electric service
- Fencing around inverters and other equipment as required for security and public safety
- Project to meet or exceed SunWatts standards
- Basic training for site owner / site operator
- Operators Manual

THE COOPERATIVE WILL PROVIDE THE FOLLOWING:

- Meter to measure AC output from PV system to owners electric panel
- Written permission from site owner to build the PV Module
- Act as the point of contact with the installation Contractor on behalf of the site owner

STRUCTURAL DESIGN REQUIREMENTS:

The basic structure is to support the PV cells but must be able to work as a carport with all the required clearances. Support should be in a cantilever style to allow easy parking, spacing on vertical supports should be in multiples of 10 feet to be able to match typical parking lot spacing, height should allow the parking of full size passenger vans, and structure does not have to be water proof (providing shade to vehicles is secondary to the production of energy). Sample profile (to show intent not required design) is on page 4. Ideal structure would have the ability to support PV panels that would be effective if the long side of the structure is in a North-South as well as East-West orientation.

PV DESIGN REQUIREMENTS:

- PV panels shall have warranty for a minimum of 15 years to cover rated output (output degradation not to exceed 20% over life of panel)
- All system components will be UL certified
- System will include isolation transformers per section 250-30 of the NEC
- Polyphase inverter with voltage to match customer's system.
- Inverter to match capacity of project
- 15 year manufacturers warranty on Inverter (contractor may use an extended warranty insurance policy to meet 15 year requirement)
- Contractor will warranty repair labor at 100% for first 5 years, 66% of labor for second 5 years, and 33% of labor for remaining 5 years, (limited to warranty repairs)
- Interconnection costs from site of PV system to nearest practical distribution panel will be on a case by case basis, (site selection process will keep this as short as possible)

SUNWATTS REQUIREMENTS:

- One-line drawings subject to approval by local Cooperative's engineering department
- Units to operate in parallel with grid
- Includes protection for out of frequency problems

- Low harmonics
- Inverter must disconnect in the event grid power is lost
- Lockable safety switch located between the inverter and meter socket

TRAINING REQUIREMENTS:

The Contractor will provide sufficient time with the site owner to explain how to disconnect the system, locate inverter, identify all junction boxes between the modules, and identify any system warning lights or displays. Contractor will also provide system manual with basic operating instructions and all the associated warranty information and manufacturer contacts listed.

## EXHIBIT D

## MONTHLY DRAWDOWN SCHEDULE OF AMOUNTS TO BE ADVANCED TO THE BORROWER PURSUANT TO THE LOAN AGREEMENT

| DATE ON WHICH PROCEEDS ARE EXPECTED TO BE EXPENDED | AMOUNTS OF PROCEEDS TO BE EXPENDED |
|---|---|
| October 27, 2008 | $280,000 |

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

To

NATIONAL RURAL UTILITIES
COOPERATIVE FINANCE CORPORATION
Issuer

# LOAN AGREEMENT

Dated as of 12/21, 2007

Clean Renewable Energy Bonds
(Cooperative Renewable Energy Projects) Series 2008A
of National Rural Utilities Cooperative Finance Corporation

CFC LOANAG
AZ014-A-9038-CB001 (JABLONJ)
117565-2

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EXHIBIT D TERMINATION CERTIFICATE OF BORROWER

## LOAN AGREEMENT

**LOAN AGREEMENT** (this "Agreement") dated as of _____, between SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. ("Borrower"), a corporation organized and existing under the laws of the State of Arizona and NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION ("CFC"), a cooperative association organized and existing under the laws of the District of Columbia.

## RECITALS

**WHEREAS,** the Borrower has applied to CFC for a loan for the purposes set forth in Schedule 1 hereto, and CFC is willing to make such a loan to the Borrower on the terms and conditions stated herein; and

**WHEREAS,** the Borrower has agreed to execute a promissory note to evidence an indebtedness in the aggregate principal amount of the CFC Commitment (as hereinafter defined).

**NOW, THEREFORE,** for and in consideration of the premises and the mutual covenants hereinafter contained, the parties hereto agree and bind themselves as follows:

## ARTICLE I

## DEFINITIONS

**Section 1.01** For purposes of this Agreement, the following capitalized terms shall have the following meanings (such definitions to be equally applicable to the singular and the plural form thereof). Capitalized terms that are not defined herein shall have the meanings as set forth in the Mortgage.

**"Accounting Requirements"** shall mean any system of accounts prescribed by a federal regulatory authority having jurisdiction over the Borrower or, in the absence thereof, the requirements of GAAP applicable to businesses similar to that of the Borrower.

**"Advance"** shall mean each advance of funds by CFC to the Borrower pursuant to the terms and conditions of this Agreement, including the Initial Advance and the Primary Advance.

**"Authorized Officer of the Borrower"** means the Chairman, General Manager or Chief Financial Officer of the Borrower or any other person authorized by the Board of the Borrower so to act or any other person performing a function similar to the function performed by any such officer or authorized person.

**"Average DSC Ratio"** shall mean the average of the Borrower's two highest annual DSC Ratios during the most recent three calendar years.

**"Bond Counsel"** means an attorney at law or a firm of attorneys (designated by CFC and acceptable to the Trustee) of nationally recognized standing in matters pertaining to the tax-exempt nature of interest or tax credits on bonds issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of any state of the United States of America.

**"Business Day"** shall mean any day that both CFC and the depository institution CFC utilizes for funds transfers hereunder are open for business.

**"CFC Commitment"** shall have the meaning as defined in Schedule 1.

**"CFC CREB Rate"** shall mean the interest rate charged by CFC for loans made by CFC from proceeds of the CREBs which rate shall not exceed one hundred and fifty basis points (150/100 of 1%) per annum.

**"Closing Date"** shall mean the date CFC issues the CREBs.

**"Code"** shall mean the Internal Revenue Code of 1986, as supplemented and amended.

**"Completion Certificate"** shall mean the certificate of the Borrower required by Section 5.01.P of this Agreement, substantially in the form of Exhibit C hereto.

**"CREBs"** shall mean the series of Securities issued by CFC to provide financing for the Project.

**"CREB Maturity Date"** shall mean the maturity date of the CREBs, which shall be the December 15th prior to the Maximum CREB Term Anniversary Date.

**"Debt Service Coverage ("DSC") Ratio"** shall mean the ratio determined as follows: for any calendar year add (i) Operating Margins, (ii) Non-Operating Margins--Interest, (iii) Interest Expense, (iv) Depreciation and Amortization Expense, and (v) cash received in respect of generation and transmission and other capital credits, and divide the sum so obtained by the sum of all payments of Principal and Interest Expense required to be made during such calendar year; provided, however, that in the event that any amount of Long-Term Debt has been refinanced during such year, the payments of Principal and Interest Expense required to be made during such year on account of such refinanced amount of Long-Term Debt shall be based (in lieu of actual payments required to be made on such refinanced amount of Long-Term 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 payment of Principal and Interest Expense required to be made during the following year on account of such refinancing debt.

**"Default Rate"** shall mean a rate per annum equal to one hundred and fifty basis points (150/100 of 1%).

**"Depreciation and Amortization Expense"** shall mean an amount constituting the depreciation and amortization of the Borrower computed pursuant to Accounting Requirements.

**"Determination of Tax Credit Ineligibility"** shall mean a determination that a particular series of Securities does not qualify for a tax credit for the owner thereof under Section 54 of the Code, which determination shall be deemed to have been made upon the occurrence of the first to occur of the following:

(a) the date on which CFC determines that there is a significant likelihood that a particular series of Securities may not qualify for a tax credit, if such determination is supported by a written opinion of Bond Counsel to that effect; or

(b) the date on which CFC shall receive notice in writing that the Trustee has been advised by the owner of any Security that a particular series of Securities does not qualify for a tax credit for the owner thereof, based upon a final determination made either by: (A) the Internal Revenue Service in a published or private ruling or technical advice memorandum or (B) any court of competent jurisdiction in the United States of America, as a result of a failure by CFC or any borrower to observe any agreement or representation in the Tax Compliance Agreement or a Loan Agreement or Project Agreement relating to the proceeds of the Securities. Any such determination will not be considered final for this purpose unless the Owner of the Securities involved in the proceeding or action resulting in the determination (i) gives CFC and the Trustee prompt written notice of the commencement thereof and (ii) if CFC agrees to pay all expenses in connection therewith and to indemnify such Owner of the Securities against all liabilities in connection therewith, offers CFC an opportunity to contest the determination, either directly or in the name of the Owner of the Securities, and until conclusion of any review, if sought.

**"Distributions"** shall mean, with respect to the Borrower, any dividend, patronage refund, patronage capital retirement or cash distribution to its members, or consumers (including but not limited to any general cancellation or abatement of charges for electric energy or services furnished by the Borrower). The term "Distribution" shall *not* include (a) a distribution by the Borrower to the estate of a deceased patron, (b) repayment by the Borrower of a membership fee upon termination of a membership, or (c) any rebate to a patron resulting from a cost abatement received by the Borrower, such as a reduction of wholesale power cost previously incurred.

**"Draw Period"** shall have the meaning as described in Schedule 1 hereto.

**"Environmental Laws"** shall mean all laws, rules and regulations promulgated by any Governmental Authority, with which Borrower is required to comply, regarding the use, treatment, discharge, storage, management, handling, manufacture, generation, processing, recycling, distribution, transport, release of or exposure to any Hazardous Material.

**"Equity"** shall mean the aggregate of the Borrower's equities and margins computed pursuant to Accounting Requirements.

**"Event of Default"** shall have the meaning as described in Article VI hereof.

**"Funds Requisition Statement"** shall mean the certificate of the Borrower, in the form set forth as Exhibit A to this Agreement, by which the Borrower will obtain an advance of funds from CFC under the Loan.

**"GAAP"** shall mean generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board.

**"Governmental Authority"** shall mean the government of the United States of America, any other nation or government, any state or other political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

**"Hazardous Material"** shall mean any (a) petroleum or petroleum products, radioactive materials, asbestos-containing materials, polychlorinated biphenyls, lead and radon gas, and (b) any

other substance designated as hazardous or toxic or as a pollutant or contaminant under any Environmental Law.

**"Indenture"** shall mean the Indenture between CFC and U.S. Bank Trust Company National Association, relating to the first issue of Securities, pursuant to which the Securities, including the CREBs are issued, as supplemented and amended.

**"Initial Advance"** shall mean the Advance made by CFC on the Closing Date pursuant to Section 3.02.A hereof to fund a portion of CFC's costs in issuing the CREBs attributable to the CFC Commitment, including, but not limited to, original issue discount, underwriting discount and other costs of issuance, including, without limitation, rating agency costs and legal, underwriting and Trustee expenses.

**"Interest Expense"** shall mean an amount constituting the interest expense with respect to Long-Term Debt of the Borrower computed pursuant to Accounting Requirements. 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 Restricted Rentals paid by the Borrower over 2% of the Borrower's Equity.

**"Lien"** shall mean any statutory or common law consensual or non-consensual mortgage, pledge, security interest, encumbrance, lien, right of set off, claim or charge of any kind, including, without limitation, any conditional sale or other title retention transaction, any lease transaction in the nature thereof and any secured transaction under the Uniform Commercial Code.

**"Loan"** shall mean the loan made by CFC to the Borrower, pursuant to this Agreement and the Note, in an aggregate principal amount not to exceed the CFC Commitment.

**"Loan Capital Term Certificate" or "LCTC"** shall mean a certificate, or book entry form of account, evidencing the Borrower's purchase of equity in CFC.

**"Loan Documents"** shall mean this Agreement, the Note, the Mortgage, the Project Agreement and all other documents or instruments executed, delivered or executed and delivered by the Borrower and evidencing, securing, governing or otherwise pertaining to, the Loan.

**"Long-Term Debt"** shall mean an amount constituting the long-term debt of the Borrower computed pursuant to Accounting Requirements.

**"Maturity Date"** shall mean the Payment Date immediately prior to the CREB Maturity Date permitted for the CREBs under Section 54(e)(2) of the Code as in effect on the Closing Date.

**"Maximum CREB Term Anniversary Date"** shall mean the anniversary of the Closing Date that occurs at the maximum term permitted for the CREBs under Section 54(e)(2) of the Code as in effect on the Closing Date.

**"Mortgage"** shall have the meaning as described in Schedule 1 hereto.

**"Mortgaged Property"** shall have the meaning ascribed to it in the Mortgage.

**"Non-Operating Margins–Interest"** shall mean the amount representing the interest component of non-operating margins of the Borrower computed pursuant to Accounting Requirements.

**"Note"** shall mean the secured promissory note, payable to the order of CFC, executed by the Borrower, dated as of even date herewith, pursuant to this Agreement as identified on Schedule 1 hereto and shall include any substitute note or modification thereto.

**"Obligations"** shall mean any and all liabilities, obligations or indebtedness owing by the Borrower to CFC, of any kind or description, irrespective of whether for the payment of money, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising.

**"Operating Margins"** shall mean the amount of patronage capital and operating margins of the Borrower computed pursuant to Accounting Requirements.

**"Payment Date"** shall mean the first (1st) day of each of March, June and September and December.

**"Payment Notice"** shall mean a notice furnished by CFC to the Borrower that indicates the amount of each payment of interest or interest and principal and the total amount of each payment due.

**"Permitted Encumbrances"** shall have the meaning ascribed to it in the Mortgage.

**"Person"** shall mean natural persons, cooperatives, corporations, limited liability companies, limited partnerships, general partnerships, limited liability partnerships, joint ventures, associations, companies, trusts or other organizations, irrespective of whether they are legal entities, and Governmental Authorities.

**"Primary Advance"** shall mean the Advance made by CFC to the Borrower pursuant to Section 3.02.B hereof two Business Days after the Closing Date to reimburse Borrower for costs of the Project.

**"Principal"** shall mean the amount of principal billed on account of Long-Term Debt of the Borrower computed pursuant to Accounting Requirements.

**"Project"** shall mean the project being financed pursuant to the Loan, as further described in Schedule 1.

**"Project Account"** means an account created pursuant to the Indenture within the Project Fund related to the CREBs.

**"Project Agreement"** shall mean the Project Agreement, dated as of even date herewith, executed by the Borrower with respect to the Project and the CREBs.

**"Project Fund"** means the Project Fund created and identified as such in the Indenture.

**"Restricted Rentals"** shall mean all rentals required to be paid under finance leases and charged to income, exclusive of any amounts paid under any such lease (whether or not designated therein as rental or additional rental) for maintenance or repairs, insurance, taxes, assessments, water rates or similar charges. For the purpose of this definition the term "finance lease" shall mean any lease having a rental term (including the term for which such lease may be renewed or extended at the option of the lessee) in excess of three (3) years and covering property having an initial cost in excess of $250,000 other than automobiles, trucks, trailers, other vehicles (including without

limitation aircraft and ships), office, garage and warehouse space and office equipment (including without limitation computers).

**"Securities"** shall mean one or more series of clean renewable energy bonds issued by CFC under the Indenture.

**"Subsidiary"** as to any Person, shall mean a corporation, partnership, limited partnership, limited liability company or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise qualified, all references to a "Subsidiary" or to "Subsidiaries" in this Agreement shall refer to a Subsidiary or Subsidiaries of the Borrower.

**"Tax Compliance Agreement"** means a tax compliance certificate and agreement of CFC with respect to a series of Securities, as accepted by the Trustee, as amended.

**"Termination Certificate"** shall mean the certificate of the Borrower required by Section 5.01.Q of this Agreement, substantially in the form of Exhibit D hereto.

**"Total Assets"** shall mean an amount constituting the total assets of the Borrower computed pursuant to Accounting Requirements.

**"Total Utility Plant"** shall mean the amount constituting the total utility plant of the Borrower computed pursuant to Accounting Requirements.

**"Trustee"** shall mean U.S. Bank Trust Company National Association and its successors and assigns.

## ARTICLE II

## REPRESENTATIONS AND WARRANTIES

**Section 2.01** The Borrower represents and warrants to CFC that as of the date of this Agreement:

**A. Good Standing.** The Borrower is duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization, is duly qualified to do business and is in good standing in those states in which it is required to be qualified to conduct its business. The Borrower is a member in good standing of CFC.

**B. Subsidiaries and Ownership.** Schedule 1 hereto sets forth a complete and accurate list of the Subsidiaries of the Borrower showing the percentage of the Borrower's ownership of the outstanding stock, membership interests or partnership interests, as applicable, of each Subsidiary.

**C. Authority; Validity.** The Borrower has the power and authority to enter into this Agreement, the Note, the Project Agreement and the Mortgage; to make the borrowing hereunder; to execute and deliver all documents and instruments required hereunder and to incur and perform the obligations provided for herein, in the Note, in the Project Agreement and in the Mortgage, all of which have been duly authorized by all necessary and proper action; and no consent or approval of

any Person, including, as applicable and without limitation, members of the Borrower, which has not been obtained is required as a condition to the validity or enforceability hereof or thereof.

Each of this Agreement, the Note, the Project Agreement and the Mortgage is, and when fully executed and delivered will be, legal, valid and binding upon the Borrower and enforceable against the Borrower in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity.

D. **No Conflicting Agreements.** The execution and delivery of the Loan Documents and performance by the Borrower of the obligations thereunder, and the transactions contemplated hereby or thereby, will not: (i) violate any provision of law, any order, rule or regulation of any court or other agency of government, any award of any arbitrator, the articles of incorporation or by-laws of the Borrower, or any indenture, contract, agreement, mortgage, deed of trust or other instrument to which the Borrower is a party or by which it or any of its property is bound; or (ii) be in conflict with, result in a breach of or constitute (with due notice and/or lapse of time) a default under, any such award, indenture, contract, agreement, mortgage, deed of trust or other instrument, or result in the creation or imposition of any Lien (other than contemplated hereby) upon any of the property or assets of the Borrower.

The Borrower is not in default in any material respect under any agreement or instrument to which it is a party or by which it is bound and no event or condition exists which constitutes a default, or with the giving of notice or lapse of time, or both, would constitute a default under any such agreement or instrument.

E. **Taxes.** The Borrower, and each of its Subsidiaries, has filed or caused to be filed all federal, state and local tax returns which are required to be filed and has paid or caused to be paid all federal, state and local taxes, assessments, and governmental charges and levies thereon, including interest and penalties to the extent that such taxes, assessments, and governmental charges and levies have become due, except for such taxes, assessments, and governmental charges and levies which the Borrower or any Subsidiary is contesting in good faith by appropriate proceedings for which adequate reserves have been set aside.

F. **Licenses and Permits.** The Borrower has duly obtained and now holds all licenses, permits, certifications, approvals and the like necessary to own and operate its property and business that are required by Governmental Authorities and each remains valid and in full force and effect.

G. **Litigation.** There are no outstanding judgments, suits, claims, actions or proceedings pending or, to the knowledge of the Borrower, threatened against or affecting the Borrower, its Subsidiaries or any of their respective properties which, if adversely determined, either individually or collectively, would have a material adverse effect upon the business, operations, prospects, assets, liabilities or financial condition of the Borrower or its Subsidiaries. The Borrower and its Subsidiaries are not, to the Borrower's knowledge, in default or violation with respect to any judgment, order, writ, injunction, decree, rule or regulation of any Governmental Authority which would have a material adverse effect upon the business, operations, prospects, assets, liabilities or financial condition of the Borrower or its Subsidiaries.

H. **Financial Statements.** The balance sheet of the Borrower as at the date identified in Schedule 1 hereto, the statement of operations of the Borrower for the period ending on said date, and the interim financial statements of the Borrower, all heretofore furnished to CFC, are complete and correct. Said balance sheet fairly presents the financial condition of the Borrower as at said date

and said statement of operations fairly reflects its operations for the period ending on said date. The Borrower has no contingent obligations or extraordinary forward or long-term commitments except as specifically stated in said balance sheet or herein. There has been no material adverse change in the financial condition or operations of the Borrower from that set forth in said financial statements except changes disclosed in writing to CFC prior to the date hereof.

I. **Borrower's Legal Status.** Schedule 1 hereto accurately sets forth: (i) the Borrower's exact legal name, (ii) the Borrower's organizational type and jurisdiction of organization, (iii) the Borrower's organizational identification number or accurate statement that the Borrower has none, and (iv) the Borrower's place of business or, if more than one, its chief executive office as well as the Borrower's mailing address if different.

J. **Required Approvals.** Other than the CREBs allocation received from the Internal Revenue Service, no license, consent or approval of any Governmental Authority is required to enable the Borrower to enter into this Agreement, the Project Agreement, the Note and the Mortgage, or to perform any of its Obligations provided for in such documents, including without limitation (and if applicable), that of any state public utilities commission, any state public service commission, and the Federal Energy Regulatory Commission, except as disclosed in Schedule 1 hereto, all of which the Borrower has obtained prior to the date hereof.

K. **Compliance With Laws.** The Borrower and each Subsidiary is in compliance, in all material respects, with all applicable requirements of law and all applicable rules and regulations of each Governmental Authority.

L. **Disclosure.** To the Borrower's knowledge, information and belief, neither this Agreement nor any document, certificate or financial statement furnished to CFC by or on behalf of the Borrower in connection herewith (all such documents, certificates and financial statements, taken as a whole) contains any untrue statement of a material fact or omits to state any material fact necessary in order to make the statements contained herein and therein not misleading.

M. **No Other Liens.** As to property which is presently included in the description of Mortgaged Property, the Borrower has not, without the prior written approval of CFC, executed or authenticated any security agreement or mortgage, or filed or authorized any financing statement to be filed with respect to assets owned by it, other than security agreements, mortgages and financing statements in favor of CFC, except as disclosed in writing to CFC prior to the date hereof or relating to Permitted Encumbrances.

N. **Environmental Matters.** Except as to matters which individually or in the aggregate would not have a material adverse effect upon the business or financial condition of the Borrower or its Subsidiaries, (i) Borrower is in compliance with all Environmental Laws (including, but not limited to, having any required permits and licenses), (ii) there have been no releases (other than releases remediated in compliance with Environmental Laws) from any underground or aboveground storage tanks (or piping associated therewith) that are or were present at the Mortgaged Property, (iii) Borrower has not received written notice or claim of any violation of any Environmental Law, (iv) there is no pending investigation of Borrower in regard to any Environmental Law, and (v) to the best of Borrower's knowledge, there has not been any release or contamination (other than releases or contamination remediated in compliance with Environmental Laws) resulting from the presence of Hazardous Materials on property owned, leased or operated by the Borrower.

O. **Project Agreement.** As set forth in the Project Agreement, the Project constitutes "a qualified project" as defined in Section 54(d)(2)(A) of the Code. As set forth in the Project Agreement,

the Borrower constitutes currently, and will remain through the period that the CREBs remain outstanding, "a Qualified Borrower", meaning a (i) mutual or cooperative electric company described in Sections 501(c)(12) or 1381(a)(2)(C) of the Code, or (ii) a Governmental Body, which is defined as any state, territory possession of the U.S., the District of Columbia, Indian tribal government, and any political subdivision thereof. The statements, information and descriptions contained in the Project Agreement are true, correct and complete, and do not contain any untrue statement or misleading statement of a material fact, and do not omit to state a material fact required to be stated therein or necessary to make the statements, information and descriptions contained therein, in the light of the circumstances under which they were made, not misleading, and the estimates and the assumptions contained in the Project Agreement are reasonable and based on the best information available to the Borrower.

## ARTICLE III

## LOAN

**Section 3.01 Definitions.** For purposes of this Article 3, the following capitalized terms shall have the following meanings:

**"Borrower's Annual Bond Repayment Amount"** shall mean the amount determined by dividing the CFC Commitment by the number of years from the Closing Date to the Maximum CREB Term Anniversary Date, which amount shall be recalculated on the date CFC rescinds any excess moneys pursuant to Section 3.05 or 3.06 hereof.

**"Quarterly Bond Deposit Amount"** shall mean for each Payment Date, the amount determined by subtracting from the Quarterly Bond Repayment Amount the principal amount payable by the Borrower pursuant to Section 3.03.A(ii)(b)(1) on such Payment Date.

**"Quarterly Bond Repayment Amount"** shall mean one-fourth (¼) of the Borrower's Annual Bond Repayment Amount.

**Section 3.02 Advances.** The obligation of the Borrower to repay the Advances shall be evidenced by the Note. The aggregate amount of all Advances made hereunder shall not exceed the CFC Commitment. At the end of the Draw Period, CFC shall have no further obligation to make Advances.

**A. Initial Advance.** Borrower hereby agrees that on the Closing Date, CFC shall automatically, and without action by Borrower, make the Initial Advance. On the Closing Date, CFC shall notify Borrower of the final amount of the Initial Advance and the amount of the CFC Commitment remaining for Borrower to subsequently Advance.

**B. Subsequent Advances.**

(i) The Borrower may submit a request for the Primary Advance to CFC in writing (which may be submitted by facsimile) no later than 12:00 noon local time at CFC's offices in Herndon, Virginia seven Business Days prior to the Closing Date. The Primary Advance may be requested in any amount up to the CFC Commitment. CFC shall make the Primary Advance two Business Days after the Closing Date in the lesser of (i) the aggregate amount of such requested Primary Advance, and (ii) the amount of the CFC Commitment less the amount of the Initial Advance.

(ii) Except as set forth in 3.02.A and 3.02.B(i) hereof, the Borrower shall submit its request for an Advance to CFC in writing (which may be submitted by facsimile) no later than 12:00 noon local time at CFC's offices in Herndon, Virginia at least two (2) Business Days prior to the last Business Day of any calendar month. Borrower may make multiple requests for Advances during any calendar month in any amount so long as the aggregate amount of all Advances requested in such month is in an amount not less than $100,000.00; *provided, however* that at such time as there remains less than $100,000.00 available for Advance hereunder, Borrower may request the entirety of such remaining amount. CFC shall make a single Advance to Borrower on the first Business Day of the calendar month following Borrower's request(s) for an Advance. Such Advance shall be in the aggregate amount of all Advances requested by Borrower in the prior month, *provided however* that at such time as there remains less than $100,000.00 available for Advance hereunder and Borrower requests the entirety of such remaining amount, CFC shall Advance the entirety of such remaining amount.

**Section 3.03 Interest Rate and Payment.** The Note shall be payable and bear interest as follows:

**A. Payments; Maturity; Amortization.**

(i) The Note shall be due and payable on the Maturity Date.

(ii) On each Payment Date, the Borrower shall promptly pay the following:

(a) accrued interest on the principal amount of the Loan outstanding less the amount of the Initial Advance; and

(b) the Quarterly Bond Repayment Amount, consisting of:

(1) the principal amount due on any outstanding Advances, determined on the basis of a quarterly amortization schedule from the date of each Advance; and

(2) the Quarterly Bond Deposit Amount.

(iii) If not sooner paid, any amount due on account of the unpaid principal, interest accrued thereon and fees, if any, shall be due and payable on the Maturity Date.

(iv) Each Advance shall amortize on a level principal payment basis from the date thereof through the Maturity Date.

(v) CFC will furnish to the Borrower a Payment Notice at least ten (10) days before each Payment Date, provided, however, that CFC's failure to send a Payment Notice shall not constitute a waiver by CFC or be deemed to relieve the Borrower of its obligation to make payments as and when due as provided for herein.

(vi) No provision of this Agreement or of any Note shall require the payment, or permit the collection, of interest in excess of the highest rate permitted by applicable law.

Borrower agrees that the records of, and all computations by, CFC (in whatever media they are recorded or maintained) as to the amount of principal, interest, fees and Quarterly Bond Deposit Amount due on the Loan shall be conclusive in the absence of manifest error.

B. **Application of Payments.** Each payment shall be applied to the Loan, first to any fees, costs, expenses or charges other than interest or principal, second to interest accrued, third to the Quarterly Bond Deposit Amount and the balance to principal.

C. **Application of Bond Repayment Deposit.** At such time as the aggregate amount billed by CFC in any calendar year on account of amortized principal under this Agreement exceeds the Borrower's Annual Bond Repayment Amount for such year, CFC shall apply a portion of the Borrower's prior payments of the Quarterly Bond Deposit Amount in the amount of such overage to principal then due. Until such time, Borrower's payments of the Quarterly Bond Deposit Amount shall not reduce the amount of principal outstanding and subject to amortization. Any amount paid by the Borrower under this Agreement on account of the Quarterly Bond Deposit Amount in excess of the principal amount of the fully advanced Loan shall be refunded to the Borrower on the Maturity Date.

D. **Interest Rate Computation.** Each Advance except the Initial Advance shall bear interest at the CFC CREB Rate which shall apply until the Maturity Date. The Initial Advance shall not bear interest. Interest on Advances shall be computed on the basis of a 30-day month and 360-day year.

**Section 3.04. Extraordinary Obligation to Prepay.** Upon a Determination of Tax Credit Ineligibility that subjects the CREBs to an extraordinary mandatory redemption due to a failure of the Borrower to observe any agreement or representation in this Loan Agreement (as more particularly described in paragraph (b) of the defined term "Determination of Tax Credit Ineligibility"), the Borrower shall prepay the Loan, or such part thereof as determined by CFC, at such times and in such amounts as determined by CFC within sixty (60) days of such determination together with a prepayment premium prescribed by CFC pursuant to its policies of general application in effect from time to time.

**Section 3.05. Rescission of Excess Moneys; Fee.** If the Borrower has not drawn down the full amount of the CFC Commitment at (i) the time of filing the Completion Certificate under Section 5.01P. hereof, (ii) the time of filing the Termination Certificate under 5.01Q. hereof, (iii) a Determination of Tax Credit Ineligibility or (iv) the end of the Draw Period, a corresponding rescission of the amount of principal available to be drawn on the Note as calculated by CFC shall automatically be made without further action by the Borrower. CFC shall release the Borrower from its obligations hereunder as to such rescinded portion, provided the Borrower complies with such terms and conditions as CFC may impose for such release including, without limitation, payment of any rescission fee that CFC may from time to time prescribe, pursuant to its policies of general application.

**Section 3.06. Cancellation of Excess Moneys.** If the Borrower has not drawn down the full amount of the CFC Commitment at the time CFC determines that it will cease making Advances hereunder pursuant to Section 7.01 hereof, a corresponding cancellation of the amount of principal available to be drawn on the Note as calculated by CFC shall automatically be made without action by the Borrower.

**Section 3.07. Default Rate.** If Borrower defaults on its obligation to make a payment due hereunder by the applicable Payment Date, and such default continues for thirty days thereafter, then

beginning on the thirty-first day after the Payment Date and for so long as such default continues, Advances shall bear interest at the Default Rate.

**Section 3.08. Patronage Capital; Interest Rate Discounts.** No patronage capital shall be earned, and no interest rate discounts shall apply, to the Loan.

**Section 3.09. Optional Prepayment.** Except for prepayments made pursuant to Section 3.04 hereof, no prepayment of any Advance, in whole or in part, may be made by the Borrower.

## ARTICLE IV

## CONDITIONS OF LENDING

**Section 4.01** The obligation of CFC to make any Advance hereunder is subject to satisfaction of the following conditions in form and substance satisfactory to CFC:

**A. Legal Matters.** All legal matters incident to the consummation of the transactions hereby contemplated shall be satisfactory to counsel for CFC.

**B. Documents.** CFC shall have been furnished with (i) the executed Loan Documents, (ii) certified copies of all such organizational documents and proceedings of the Borrower authorizing the transactions hereby contemplated as CFC shall require, (iii) an opinion of counsel for the Borrower addressing such legal matters as CFC shall reasonably require, and (iv) all other such documents as CFC may reasonably request.

**C. Government Approvals.** The Borrower shall have furnished to CFC true and correct copies of all certificates, authorizations, consents, permits and licenses from Governmental Authorities necessary for the execution or delivery of the Loan Documents or performance by the Borrower of the obligations thereunder.

**D. Representations and Warranties.** The representations and warranties contained in Article II shall be true on the date of the making of each Advance hereunder with the same effect as though such representations and warranties had been made on such date; no Event of Default and no event which, with the lapse of time or the notice and lapse of time would become such an Event of Default, shall have occurred and be continuing or will have occurred after giving effect to each Advance on the books of the Borrower; there shall have occurred no material adverse change in the business or condition, financial or otherwise, of the Borrower; and nothing shall have occurred which in the opinion of CFC materially and adversely affects the Borrower's ability to perform its obligations hereunder.

**E. Mortgage Recordation.** The Mortgage (and any amendments, supplements or restatements as CFC may require from time to time) shall have been duly filed, recorded or indexed in all jurisdictions necessary (and in any other jurisdiction that CFC shall have reasonably requested) to provide CFC a lien, subject to Permitted Encumbrances, on all of the Borrower's real property, all in accordance with applicable law, and the Borrower shall have paid all applicable taxes, recording and filing fees and caused satisfactory evidence thereof to be furnished to CFC.

**F. UCC Filings.** Uniform Commercial Code financing statements (and any continuation statements and other amendments thereto that CFC shall require from time to time) shall have been duly filed, recorded or indexed in all jurisdictions necessary (and in any other jurisdiction that CFC

shall have reasonably requested) to provide CFC a perfected security interest, subject to Permitted Encumbrances, in the Mortgaged Property which may be perfected by the filing of a financing statement, all in accordance with applicable law, and the Borrower shall have paid all applicable taxes, recording and filing fees and caused satisfactory evidence thereof to be furnished to CFC.

G. **Requisitions.** The Borrower will requisition each Advance by submitting its written requisition to CFC in the form attached as Exhibit A hereto. Requisitions for Advances shall be made only for the purposes set forth in Schedule 1 hereto.

H. **Other Information.** The Borrower shall have furnished such other information as CFC may reasonably require, including but not limited to (i) information regarding the specific purpose for an Advance and the use thereof, (ii) feasibility studies, cash flow projections, financial analyses and pro forma financial statements sufficient to demonstrate to CFC's reasonable satisfaction that after giving effect to the Advance requested, the Borrower shall continue to achieve the DSC ratio set forth in Section 5.01.A herein, to meet all of its debt service obligations, and otherwise to perform and to comply with all other covenants and conditions set forth in this Agreement, and (iii) any other information as CFC may reasonably request. CFC's obligation to make any Advance hereunder is conditioned upon prior receipt and approval of the Borrower's written requisition and other information and documentation, if any, as CFC may have requested pursuant to this paragraph.

I. **Issuance of Bonds.** CFC shall have issued CREBs in an amount not less than the CFC Commitment.

J. **CREB Allocation.** CFC shall have received an allocation in the amount of the CFC Commitment from the U.S. Department of Treasury for the Borrower's Project under its Securities program.

K. **Tax Credit Ineligibility.** There shall have occurred no Determination of Tax Credit Ineligibility with regard to the Borrower or the Project.

L. **Bring Down Certificate.** Two (2) Business Days prior to the Closing Date, the Borrower shall furnish CFC with a certificate of an Authorized Officer of the Borrower in the form of Exhibit B hereto, certifying that all of the representations and warranties set forth in Article II hereof are true on the Closing Date.

## ARTICLE V

## COVENANTS

**Section 5.01 Affirmative Covenants.** The Borrower covenants and agrees with CFC that until payment in full of the Note and performance of all obligations of the Borrower hereunder:

A. **Financial Ratios; Design of Rates.** The Borrower shall achieve an Average DSC Ratio of not less than 1.35. The Borrower shall not decrease its rates for electric service if it has failed to achieve a DSC Ratio of 1.35 for the calendar year prior to such reduction subject only to an order from a Governmental Authority properly exercising jurisdiction over the Borrower.

B. **Loan Proceeds.** The Borrower shall use the proceeds of this Loan solely for the purposes identified on Schedule 1 hereto.

C. **Notice.** The Borrower shall promptly notify CFC in writing of:

(i) any material adverse change in the business, operations, prospects, assets, liabilities or financial condition of the Borrower;

(ii) the institution or threat of any litigation or administrative proceeding of any nature involving the Borrower which could materially affect the business, operations, prospects, assets, liabilities or financial condition of the Borrower;

(iii) the occurrence of an Event of Default hereunder, or any event that, with the giving of notice or lapse of time, or both, would constitute an Event of Default.

D. **Default Notices.** Upon receipt of any notices with respect to a default by the Borrower under the terms of any evidence of any indebtedness with parties other than CFC or of any loan agreement, mortgage or other agreement relating thereto, the Borrower shall deliver copies of such notice to CFC.

E. **Annual Certificates.**

(i) Within one hundred twenty (120) days after the close of each calendar year, commencing with the year in which the initial Advance hereunder shall have been made, the Borrower will deliver to CFC a written statement, in form and substance satisfactory to CFC, signed by the Borrower's General Manager or Chief Executive Officer, stating that during such year, and that to the best of said person's knowledge, the Borrower has fulfilled all of its obligations under this Agreement, the Project Agreement, the Note, and the Mortgage throughout such year or, if there has been a default in the fulfillment of any such obligations, specifying each such default known to said person and the nature and status thereof.

(ii) The Borrower shall deliver to CFC within one hundred twenty (120) days of CFC's written request, which shall be no more frequently than once every year, a certification, in form and substance satisfactory to CFC, regarding the condition of the Mortgaged Property prepared by a professional engineer satisfactory to CFC. The Borrower shall also deliver to CFC such other information as CFC may reasonably request from time to time.

F. **Loan Capital Term Certificate Purchase.** The Borrower will purchase LCTCs, if required, in an amount calculated pursuant to CFC's policies of general application and shall pay for such LCTCs as required thereby. CFC's policies with respect to such LCTCs are set forth in Schedule 1.

G. **Financial Books; Financial Reports; Right of Inspection.** The Borrower will at all times keep, and safely preserve, proper books, records and accounts in which full and true entries will be made of all of the dealings, business and affairs of the Borrower, in accordance with Accounting Requirements. When requested by CFC, the Borrower will prepare and furnish CFC from time to time, periodic financial and statistical reports on its condition and operations. All of such reports shall be in such form and include such information as may be specified by CFC. Within one hundred twenty (120) days of the end of each calendar year during the term hereof, the Borrower shall furnish to CFC a full and complete report of its financial condition and statement of its operations as of the end of such calendar year, in form and substance satisfactory to CFC. In addition, within one hundred twenty (120) days of the end of each the Borrower's fiscal years during the term hereof, the Borrower shall furnish to CFC a full and complete consolidated and consolidating report of its financial condition and statement of its operations as of the end of such fiscal year,

audited and certified by independent certified public accountants nationally recognized or otherwise satisfactory to CFC and accompanied by a report of such audit in form and substance satisfactory to CFC, including without limitation a consolidated and consolidating balance sheet and the related consolidated and consolidating statements of income and cash flow. CFC, through its representatives, shall at all times during reasonable business hours and upon prior notice have access to, and the right to inspect and make copies of, any or all books, records and accounts, and any or all invoices, contracts, leases, payrolls, canceled checks, statements and other documents and papers of every kind belonging to or in the possession of the Borrower or in anyway pertaining to its property or business.

**H. Notice of Additional Secured Debt.** The Borrower will notify CFC promptly in writing if it incurs any additional secured indebtedness other than indebtedness to CFC or indebtedness otherwise provided for in the Mortgage.

**I. Funds Requisition.** The Borrower agrees (i) that CFC may rely conclusively upon the written instructions submitted to CFC in the Borrower's written request for an Advance hereunder, (ii) that such instructions shall constitute a covenant under this Agreement to repay the Advance in accordance with such instructions, the applicable Note, the Mortgage, the Project Agreement and this Agreement, and (iii) to request Advances only for the purposes set forth in Schedule 1 hereto.

**J. Compliance With Laws.** The Borrower and each Subsidiary shall remain in compliance, in all material respects, with all applicable requirements of law and applicable rules and regulations of each Governmental Authority.

**K. Taxes.** The Borrower shall pay, or cause to be paid all taxes, assessments or governmental charges lawfully levied or imposed on or against it and its properties prior to the time they become delinquent, except for any taxes, assessments or charges that are being contested in good faith and with respect to which adequate reserves as determined in good faith by the Borrower have been established and are being maintained.

**L. Further Assurances.** The Borrower shall execute any and all further documents, financing statements, agreements and instruments, and take all such further actions (including the filing and recording of financing statements, fixture filings, mortgages, deeds of trust and other documents), which may be required under any applicable law, or which CFC may reasonably request, to effectuate the transactions contemplated by the Loan Documents or to grant, preserve, protect or perfect the Liens created or intended to be created thereby. The Borrower also agrees to provide to CFC, from time to time upon request, evidence reasonably satisfactory to CFC as to the perfection and priority of the Liens created or intended to be created by the Loan Documents.

**M. Environmental Covenants.** Borrower shall:

(i) at its own cost, comply in all material respects with all applicable Environmental Laws, including, but not limited to, any required remediation; and

(ii) if it receives any written communication alleging Borrower's violation of any Environmental Law, provide CFC with a copy thereof within ten (10) Business Days after receipt, and promptly take appropriate action to remedy, cure, defend, or otherwise affirmatively respond to the matter.

**N. Limitations on Loans, Investments and Other Obligations.** The aggregate amount of all purchases, investments, loans, guarantees, commitments and other obligations described in

Section 5.02.D(i) of this Agreement shall at all times be less than fifteen percent (15%) of Total Utility Plant or fifty percent (50%) of Equity, whichever is greater.

O. **Tax Status of the CREBs.** The Borrower shall utilize the Project or cause it to be utilized as provided in the Project Agreement until the CREB Maturity Date. No use will be made of the proceeds of the CREBs other than as set forth herein and in the Project Agreement and no changes will be made in the Project or in the operation or beneficial use thereof (including, without limiting the generality of the foregoing, the use of the Project by the Borrower or any related person) without an opinion of Bond Counsel that such a use or change will not adversely affect the eligibility of the CREBs to qualify for a tax credit for the owner thereof, for federal income tax purposes. The Borrower agrees and warrants that it will not take or authorize or permit any action to be taken and has not taken or authorized or permitted any action to be taken and will not fail to take any action to comply with the Project Agreement which adversely affects the eligibility of the CREBs to qualify for a tax credit for the owner thereof, for federal income tax purposes. This agreement and warranty shall survive the termination of this Agreement.

P. **Completion Certificate.** The Borrower shall submit to CFC within 30 days after the completion of the Project, a Completion Certificate signed by an Authorized Officer of the Borrower.

Q. **Termination Certificate.** If the Borrower determines that the Project will not be completed as described in Section 5.01.P above, then the Borrower shall submit to CFC a Termination Certificate, within 30 days of a determination that:

(i) no further acquisition, construction or installation will occur with respect to the Project; and

(ii) the Borrower does not intend to make any further Advances.

R. **Other Information.** The Borrower shall furnish such other information as CFC may reasonably require relating to the Project.

**Section 5.02 Negative Covenants.** The Borrower covenants and agrees with CFC that until payment in full of the Note and performance of all obligations of the Borrower hereunder, the Borrower will not, directly or indirectly, without CFC's prior written consent:

A. **Limitations on Mergers.** Consolidate with, merge, or sell all or substantially all of its business or assets, or enter into an agreement for such consolidation, merger or sale, to another entity or person unless such action is either approved, as is evidenced by the prior written consent of CFC, or the purchaser, successor or resulting corporation is or becomes a member in good standing of CFC and assumes the due and punctual payment of the Note and the due and punctual performance of the covenants contained in the Mortgage and this Agreement.

B. **Limitations on Sale, Lease or Transfer of Capital Assets; Application of Proceeds.** Sell, lease or transfer (or enter into an agreement to sell, lease or transfer) any capital asset, except in accordance with this Section 5.02.B. If no Event of Default (and no event which with notice or lapse of time and notice would become an Event of Default) shall have occurred and be continuing, the Borrower may, without the prior written consent of CFC, sell, lease or transfer (or enter into an agreement to sell, lease or transfer) any capital asset in exchange for fair market value consideration paid to the Borrower if the value of such capital asset is less than five percent (5%) of Total Utility Plant and the aggregate value of capital assets sold, leased or transferred in any 12-month period is less than ten percent (10%) of Total Utility Plant.

**C. Limitation on Dividends, Patronage Refunds and Other Distributions.**

(i) Make Distributions in any calendar year if, after giving effect to the Distribution, the total Equity of the Borrower will be less than twenty percent (20%) of its Total Assets.

(ii) If, after giving effect to the Distribution, the total Equity of the Borrower will be less than twenty percent (20%) of its Total Assets, then the Borrower may nevertheless make Distributions of up to thirty percent (30%) of its total margins for the preceding calendar year.

(iii) Notwithstanding anything to the contrary in subparagraphs (i) and (ii) above, the Borrower shall not make any Distribution without the prior written consent of CFC if an Event of Default under this Agreement has occurred and is continuing.

**D. Limitations on Loans, Investments and Other Obligations.**

(i) (a) Purchase, or make any commitment to purchase, any stock, bonds, notes, debentures, or other securities or obligations of or beneficial interests in, (b) make, or enter into a commitment to make, any other investment, monetary or otherwise, in, (c) make, or enter into a commitment to make, any loan to, or (d) guarantee, assume, or otherwise become liable for, or enter into a commitment to guarantee, assume, or otherwise become liable for, any obligation of any Person if, after giving effect to such purchase, investment, loan, guarantee or commitment, the aggregate amount thereof would exceed the greater of fifteen percent (15%) of Total Utility Plant or fifty percent (50%) of Equity.

(ii) The following shall not be included in the limitation of purchases, investments, loans and guarantees in (i) above: (a) bonds, notes, debentures, stock, or other securities or obligations issued by or guaranteed by the United States or any agency or instrumentality thereof; (b) bonds, notes, debentures, stock, commercial paper, subordinated capital certificates, or any other security or obligation issued by CFC or by institutions whose senior unsecured debt obligations are rated by at least two nationally recognized rating organizations in either of their two highest categories; (c) investments incidental to loans made by CFC; (d) any deposit that is fully insured by the United States; (e) loans and grants made by any Governmental Authority to the Borrower under any rural economic development program, but only to the extent that such loans and grants are non-recourse to the Borrower; and (f) unretired patronage capital allocated to the Borrower by CFC, a cooperative from which the Borrower purchases electric power, or a statewide cooperative association of which Borrower is a member.

(iii) In no event may the Borrower take any action pursuant to subsection (i) if an Event of Default under this Agreement has occurred and is continuing,

**E. Organizational Change.** Change its type of organization or other legal structure, except as permitted by Section 5.02.A. hereof, in which case the Borrower shall provide at least 30 days prior written notice to CFC together with all documentation reflecting such change as CFC may reasonably require.

**F. Notice of Change in Borrower Information.** Change its (i) state of incorporation, (ii) legal name, (iii) mailing address, or (iv) organizational identification number, if it has one, unless the Borrower provides written notice to CFC at least thirty (30) days prior to the effective date of any such change together with all documentation reflecting any such change as CFC may reasonably require.

## ARTICLE VI

## EVENTS OF DEFAULT

**Section 6.01** The following shall be "Events of Default" under this Agreement:

**A. Representations and Warranties.** Any representation or warranty made by the Borrower herein, or in any of the other Loan Documents, or in any certificate or financial statement furnished to CFC hereunder or under any of the other Loan Documents shall prove to be false or misleading in any material respect.

**B. Payment.** The Borrower shall fail to pay (whether upon stated maturity, by acceleration, or otherwise) any principal, interest, premium (if any) or other amount payable under the Note and the Loan Documents within five (5) Business Days after the due date thereof.

**C. Other Covenants.**

**(i) No Grace Period.** Failure of the Borrower to observe or perform any covenant or agreement contained in the Project Agreement or in Sections 5.01.A, 5.01.B, 5.01.D, 5.01.E, 5.01.G, 5.01.I, 5.01.N, 5.01.O and 5.02 of this Agreement.

**(ii) Thirty Day Grace Period.** Failure of the Borrower to observe or perform any other covenant or agreement contained in this Agreement or any of the other Loan Documents, which shall remain unremedied for thirty (30) calendar days after written notice thereof shall have been given to the Borrower by CFC.

**D. Legal Existence, Permits and Licenses.** The Borrower shall forfeit or otherwise be deprived of (i) its authority to conduct business in the jurisdiction in which it is organized or in any other jurisdiction where such authority is required in order for the Borrower to conduct its business in such jurisdiction or (ii) permits, easements, consents or licenses required to carry on any material portion of its business.

**E. Other CFC Obligations.** The Borrower shall be in breach or default of any Obligation, which breach or default continues uncured beyond the expiration of any applicable grace period.

**F. Other Obligations.** The Borrower shall (i) fail to make any payment of any principal, premium or any other amount due or interest on any indebtedness with parties other than CFC which shall remain unpaid beyond the expiration of any applicable grace period, or (ii) be in breach or default with respect to any other term of any evidence of any other indebtedness with parties other than CFC or of any loan agreement, mortgage or other agreement relating thereto which breach or default continues uncured beyond the expiration of any applicable grace period, if the effect of such failure, default or breach is to cause the holder or holders of that indebtedness to cause that indebtedness to become or be declared due prior to its stated maturity (upon the giving or receiving of notice, lapse of time, both or otherwise).

**G. Involuntary Bankruptcy.** An involuntary case or other proceeding shall be commenced against the Borrower seeking liquidation, reorganization or other relief with respect to it or its debts under bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property and such involuntary case or other proceeding shall continue without dismissal or

stay for a period of sixty (60) days; or an order for relief shall be entered against the Borrower under the federal bankruptcy laws or applicable state law as now or hereafter in effect.

H. **Insolvency.** The Borrower shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall admit in writing its inability to, or be generally unable to, pay its debts as they become due, or shall take any action to authorize any of the foregoing.

I. **Dissolution or Liquidation.** Other than as provided in subsection H. above, the dissolution or liquidation of the Borrower, or failure by the Borrower promptly to forestall or remove any execution, garnishment or attachment of such consequence as will impair its ability to continue its business or fulfill its obligations and such execution, garnishment or attachment shall not be vacated within sixty (60) days. The term "dissolution or liquidation of the Borrower", as used in this subsection, shall not be construed to include the cessation of the corporate existence of the Borrower resulting either from a merger or consolidation of the Borrower into or with another corporation following a transfer of all or substantially all its assets as an entirety, under the conditions set forth in Section 5.02.A.

J. **Material Adverse Change.** Any material adverse change in the business or condition, financial or otherwise, of the Borrower.

K. **Monetary Judgment.** The Borrower shall suffer any money judgment not covered by insurance, writ or warrant of attachment or similar process involving an amount in excess of $100,000 and shall not discharge, vacate, bond or stay the same within a period of sixty (60) days.

L. **Nonmonetary Judgment.** One or more nonmonetary judgments or orders (including, without limitation, injunctions, writs or warrants of attachment, garnishment, execution, distraint, replevin or similar process) shall be rendered against the Borrower that, either individually or in the aggregate, could reasonably be expected to have a material adverse effect upon the business, operations, prospects, assets, liabilities or financial condition of the Borrower.

## ARTICLE VII

## REMEDIES

**Section 7.01** If any of the Events of Default listed in Section 6 hereof shall occur after the date of this Agreement and shall not have been remedied within the applicable grace periods specified therein, then CFC may:

(i) Cease making Advances hereunder;

(ii) Declare all unpaid principal outstanding on the Note, all accrued and unpaid interest thereon, and all other Obligations to be immediately due and payable and the same shall thereupon become immediately due and payable without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived;

(iii) Exercise rights of setoff or recoupment and apply any and all amounts held, or hereby held, by CFC or owed to the Borrower or for the credit or account of the Borrower against any and all of the Obligations of the Borrower now or hereafter existing hereunder or under the Note, including, but not limited to, patronage capital allocations and retirements, money due to Borrower from equity certificates purchased from CFC, and any membership or other fees that would otherwise be returned to Borrower but excluding any LCTCs purchased by the Borrower pursuant to this Agreement. The rights of CFC under this section are in addition to any other rights and remedies (including other rights of setoff or recoupment) which CFC may have. The Borrower waives all rights of setoff, deduction, recoupment or counterclaim;

(iv) Pursue all rights and remedies available to CFC that are contemplated by the Mortgage and the other Loan Documents in the manner, upon the conditions, and with the effect provided in the Mortgage and the other Loan Documents, including, but not limited to, a suit for specific performance, injunctive relief or damages;

(v) Pursue any other rights and remedies available to CFC at law or in equity.

Nothing herein shall limit the right of CFC to pursue all rights and remedies available to a creditor following the occurrence of an Event of Default. Each right, power and remedy of CFC shall be cumulative and concurrent, and recourse to one or more rights or remedies shall not constitute a waiver of any other right, power or remedy.

## ARTICLE VIII

## MISCELLANEOUS

**Section 8.01 Notices.** All notices, requests and other communications provided for herein including, without limitation, any modifications of, or waivers, requests or consents under, this Agreement shall be given or made in writing (including, without limitation, by telecopy) and delivered to the intended recipient at the "Address for Notices" specified below; or, as to any party, at such other address as shall be designated by such party in a notice to each other party. All such communications shall be deemed to have been duly given (i) when personally delivered including, without limitation, by overnight mail or courier service, (ii) in the case of notice by United States mail, certified or registered, postage prepaid, return receipt requested, upon receipt thereof, or (iii) in the case of notice by telecopy, upon transmission thereof, provided such transmission is promptly confirmed by either of the methods set forth in clauses (i) or (ii) above in each case given or addressed as provided for herein. The Address for Notices of each of the respective parties is as follows:

National Rural Utilities Cooperative Finance Corporation
2201 Cooperative Way
Herndon, Virginia 20171-3025
Attention: Senior Vice President – Member Services
Fax # 703-709-6776

The Borrower:

The address set forth in
Schedule 1 hereto

**Section 8.02 Expenses.** Borrower shall reimburse CFC for any reasonable costs and out-of-pocket expenses paid or incurred by CFC (including, without limitation, reasonable fees and expenses of outside attorneys, paralegals and consultants) for all actions CFC takes, (a) to enforce the payment of any Obligation, to effect collection of any Mortgaged Property, or in preparation for such enforcement or collection, (b) to institute, maintain, preserve, enforce and foreclose on CFC's security interest in or Lien on any of the Mortgaged Property, whether through judicial proceedings or otherwise, (c) to restructure any of the Obligations, (d) to review, approve or grant any consents or waivers hereunder, (e) to prepare, negotiate, execute, deliver, review, amend or modify this Agreement, (f) to prepare, negotiate, execute, deliver, review, amend or modify any other agreements, documents and instruments deemed necessary or appropriate by CFC in connection with any of the foregoing, and (g) to obtain any opinions required to be furnished upon a Determination of Tax Credit Ineligibility and an extraordinary prepayment as set forth in Section 3.04 hereof or a rescission of excess money as set forth in Section 3.05 or a cancellation of excess moneys as set forth in Section 3.06.

The amount of all such expenses identified in this Section 8.02 shall be secured by the Mortgage and shall be payable upon demand, and if not paid, shall accrue interest at the Default Rate.

**Section 8.03 Late Payments.** If payment of any amount due hereunder is not received at CFC's office in Herndon, Virginia, or such other location as CFC may designate to the Borrower within five (5) Business Days after the due date thereof, the Borrower will pay to CFC, in addition to all other amounts due under the terms of the Loan Documents, any late payment charge as may be fixed by CFC from time to time pursuant to its policies of general application as in effect from time to time.

**Section 8.04. Non-Business Day Payments.** If any payment to be made by the Borrower hereunder shall become due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall be included in computing any interest in respect of such payment.

**Section 8.05 Filing Fees.** To the extent permitted by law, the Borrower agrees to pay all expenses of CFC (including the reasonable fees and expenses of its counsel) in connection with the filing, registration, recordation or perfection of the Mortgage and any other security instruments as may be required by CFC in connection with this Agreement, including, without limitation, all documentary stamps, recordation and transfer taxes and other costs and taxes incident to execution, filing, registration or recordation of any document or instrument in connection herewith. The Borrower agrees to save harmless and indemnify CFC from and against any liability resulting from the failure to pay any required documentary stamps, recordation and transfer taxes, recording costs, or any other expenses incurred by CFC in connection with this Agreement. The provisions of this subsection shall survive the execution and delivery of this Agreement and the payment of all other amounts due under the Loan Documents.

**Section 8.06 Waiver; Modification.** No failure on the part of CFC to exercise, and no delay in exercising, any right or power hereunder or under the other Loan Documents shall operate as a waiver thereof, nor shall any single or partial exercise by CFC of any right hereunder, or any abandonment or discontinuance of steps to enforce such right or power, preclude any other or further exercise thereof or the exercise of any other right or power. No modification or waiver of any provision of this Agreement, the Note or the other Loan Documents and no consent to any departure by the Borrower therefrom shall in any event be effective unless the same shall be in writing by the

party granting such modification, waiver or consent, and then such modification, waiver or consent shall be effective only in the specific instance and for the purpose for which given.

**SECTION 8.07 GOVERNING LAW; SUBMISSION TO JURISDICTION; WAIVER OF JURY TRIAL.**

(A) THE PERFORMANCE AND CONSTRUCTION OF THIS AGREEMENT AND THE NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE COMMONWEALTH OF VIRGINIA.

(B) THE BORROWER HEREBY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF THE UNITED STATES COURTS LOCATED IN VIRGINIA AND OF ANY STATE COURT SO LOCATED FOR PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. THE BORROWER IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTIONS THAT IT MAY NOW OR HEREAFTER HAVE TO THE ESTABLISHING OF THE VENUE OF ANY SUCH PROCEEDINGS BROUGHT IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

(C) THE BORROWER AND CFC EACH HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

**SECTION 8.08 INDEMNIFICATION.** THE BORROWER HEREBY INDEMNIFIES AND AGREES TO HOLD HARMLESS, AND DEFEND CFC AND ITS MEMBERS, DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, ATTORNEYS AND REPRESENTATIVES (EACH AN "INDEMNITEE") FOR, FROM, AND AGAINST ALL CLAIMS, DAMAGES, LOSSES, LIABILITIES, COSTS, AND EXPENSES (INCLUDING, WITHOUT LIMITATION, COSTS AND EXPENSES OF LITIGATION AND REASONABLE ATTORNEYS' FEES) ARISING FROM ANY CLAIM OR DEMAND IN RESPECT OF THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS, THE MORTGAGED PROPERTY, OR THE TRANSACTIONS DESCRIBED IN THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS AND ARISING AT ANY TIME, WHETHER BEFORE OR AFTER PAYMENT AND PERFORMANCE OF ALL OBLIGATIONS UNDER THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS IN FULL, EXCEPTING ANY SUCH MATTERS ARISING SOLELY FROM THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF CFC OR ANY INDEMNITEE INCLUDING WITHOUT LIMITATION ANY DETERMINATION MADE OR OTHER ACTION TAKEN BY CFC PURSUANT TO SECTIONS 3.04, 3.05 and 3.06 OF THIS AGREEMENT. NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN SECTION 8.10 HEREOF, THE OBLIGATIONS IMPOSED UPON THE BORROWER BY THIS SECTION SHALL SURVIVE THE REPAYMENT OF THE NOTE, THE TERMINATION OF THIS AGREEMENT AND THE TERMINATION OR RELEASE OF THE LIEN OF THE MORTGAGE.

**Section 8.09 Complete Agreement.** This Agreement, together with the schedules to this Agreement, the Note and the other Loan Documents, and the other agreements and matters referred to herein or by their terms referring hereto, is intended by the parties as a final expression of their agreement and is intended as a complete statement of the terms and conditions of their agreement. In the event of any conflict in the terms and provisions of this Agreement and any other Loan Documents, the terms and provisions of this Agreement shall control.

**Section 8.10 Survival; Successors and Assigns.** All covenants, agreements, representations and warranties of the Borrower which are contained in this Agreement shall survive the execution and delivery to CFC of the Loan Documents and the making of the Loan hereunder and shall continue in full force and effect until all of the obligations under the Loan Documents have been paid in full. All covenants, agreements, representations and warranties of the Borrower which are contained in this Agreement shall inure to the benefit of the successors and assigns of CFC. The Borrower shall not have the right to assign its rights or obligations under this Agreement without the prior written consent of CFC, except as provided in Section 5.02.A hereof.

**Section 8.11 Use of Terms.** The use of the singular herein shall also refer to the plural, and vice versa.

**Section 8.12 Headings.** The headings and sub-headings contained in this Agreement are intended to be used for convenience only and do not constitute part of this Agreement.

**Section 8.13 Severability.** If any term, provision or condition, or any part thereof, of this Agreement, the Note or the other Loan Documents shall for any reason be found or held invalid or unenforceable by any governmental agency or court of competent jurisdiction, such invalidity or unenforceability shall not affect the remainder of such term, provision or condition nor any other term, provision or condition, and this Agreement, the Note and the other Loan Documents shall survive and be construed as if such invalid or unenforceable term, provision or condition had not been contained therein.

**Section 8.14 Binding Effect.** This Agreement shall become effective when it shall have been executed by both the Borrower and CFC and thereafter shall be binding upon and inure to the benefit of the Borrower and CFC and their respective successors and assigns.

**Section 8.15 Counterparts.** This Agreement may be executed in one or more counterparts, each of which will be deemed an original and all of which together will constitute one and the same document. Signature pages may be detached from the counterparts and attached to a single copy of this Agreement to physically form one document.

**Section 8.16 Disclosure.** This Agreement and any other Loan Document may be shared by CFC with such Persons as shall be required in order to facilitate the issuance of the CREBs, including, but not limited to, its attorneys, underwriters and investors in the CREBs.

**Section 8.17 Schedule 1.** Schedule 1 attached hereto is an integral part of this Agreement.

**IN WITNESS WHEREOF,** the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

SULPHUR SPRINGS VALLEY
ELECTRIC COOPERATIVE, INC.

(SEAL)

By: Gene Manning

Title: President

Attest: _____
~~Secretary~~
CREDEN W. HUBER
CHIEF EXECUTIVE OFFICER

NATIONAL RURAL UTILITIES
COOPERATIVE FINANCE CORPORATION

(SEAL)

By: Marianne Dusold
Assistant Secretary-Treasurer
MARIANNE L DUSOLD

Attest: _____
Assistant Secretary-Treasurer
CRAIG COLANTONI

## SCHEDULE 1

1. The purpose of this loan is to finance (i) the reimbursement of the cost of the Project of the Borrower, including any reasonable costs and expenses incurred by the Borrower in connection with financing the Project, as described and permitted by the terms of the Project Agreement and (ii) a portion of CFC's costs in issuing the CREBs as set forth in Section 3.02.A.

2. The Project of the Borrower being financed by the Loan (funded by proceeds of the CREBs) constitutes the following clean renewable energy facilities:

   Elfrida ElementaryDistrict Photovoltaic Solar Automobile Parking Shade Structure

   This project will place a photovoltaic module that will produce 23 kW of electricity in the shade structure at the Elfrida Elementary School. The PV structure will provide electricity to the school with excess power flowing to the Borrower's system.

3. Subject to the terms of this Agreement, CFC has agreed to loan to the Borrower from proceeds of the CREBs, an amount not to exceed $280,000.00 (the "CFC Commitment").

4. Draw Period shall mean the period beginning on the Closing Date and ending on the date that is five (5) years thereafter.

5. The Borrower shall not purchase the LCTCs or any portion thereof with funds from the Loan. The Borrower shall use its own funds or funds borrowed under another credit facility to purchase such LCTCs, subject to the CFC policies regarding LCTCs set forth in the following paragraph.

   **CFC Policies Regarding LCTCs:** (i) Any solvent Member of CFC with an outstanding LCTC purchased in connection with a loan from the proceeds of Securities may borrow the outstanding amount of the LCTC from CFC without a further credit review, for a term equal to or shorter than the maturity of the LCTC at a rate equal to the comparable rate charged by CFC for similarly classified loans; and (ii) any Member of CFC with an outstanding LCTC purchased in connection with a loan from the proceeds of Securities may sell such LCTC to another Member of CFC for consideration.

6. The Mortgage shall mean the Restated Mortgage and Security Agreement, dated as of December 6, 2007, between the Borrower and CFC, as it may have been supplemented, amended, consolidated, or restated from time to time.

7. The Note executed pursuant hereto is as follows:

| LOAN NUMBER | AMOUNT |
|---|---|
| AZ014-A-9038-CB001 | $280,000.00 |

8. The Subsidiaries of the Borrower referred to in Section 2.01.B. are: None

9. The date of the Borrower's balance sheet referred to in Section 2.01.H is June 30, 2006.

10. The Borrower's exact legal name is: Sulphur Springs Valley Electric Cooperative, Inc.

11. The Borrower's organizational type is: Corporation

12. The Borrower is organized under the laws of the state of: Arizona

13. The Borrower's organizational identification number is: 0038220-2

14. The place of business or, if more than one, the chief executive office of the Borrower referred to in Section 2.01.I is 311 East Wilcox, Sierra Vista, Arizona 85635.

15. The Governmental Authority referred to in Section 2.01.J. is: Arizona Corporation Commission

16. The address for notices to the Borrower referred to in Section 8.01 is 311 East Wilcox, Sierra Vista, Arizona 85635, Attention: General Manager, Fax: (520) 384-5223.

## Exhibit A - Funds Requisition Statement

Borrower Name & ID: Sulphur Springs Valley Electric Cooperative, Inc. (AZ014)
Loan Number: AZ014-A-9038-CB001
Loan Agreement and Project Agreement with CFC dated:
CREBs Series: 2008A
CFC CREBs Application #: 8
Name of Project: Elfrida Elementary District Photovoltaic Solar Automobile Parking Shade Structure
Funds Requisition Statement No.:

**Amount Requested:**
**Date Of Advance**:

**Disposition of Funds (wiring instructions):**

### Certification

Acting on behalf of the Borrower, I hereby certify that as of the date below: (1) I am duly authorized to make this certification and to request funds on the terms specified herein; (2) the Borrower has met all of the conditions contained in the Loan Agreement and the Project Agreement listed above governing the terms of this Advance that the Borrower is required to meet prior to an Advance of funds; (3) all of the representations and warranties contained in said Loan Agreement and Project Agreement are true and will continue to be true upon use of the funds as hereby requested; (4) no Event of Default, under the Loan Agreement or the Borrower's Mortgage, has occurred and is continuing; (5) I know of no other event that has occurred which, with the lapse of time and/or notification to CFC of such event, or after giving effect to this Advance, would become an Event of Default under the Loan Agreement or the Borrower's Mortgage; (6) the funds requested herein will be used only as a reimbursement for the purposes specified in the Loan Agreement and the Project Agreement; (7) the costs to be reimbursed by the funds requested herein are capital expenditures and have not previously been reimbursed under a previous Funds Requisition Statement; (8) the Borrower has secured sufficient funds to complete the Project; (9) any necessary permits and approvals required for the Project at this point have been obtained; (10) the Borrower is maintaining a file containing true and correct copies of invoices or bills of sale covering all items for which payment is sought by this request; (11) such costs have been incurred and paid by the Borrower in connection with the Project; (12) the Borrower is not using the funds requested hereby to make any payments of principal or interest due under the Loan Agreement; (13) no expenditure which is being reimbursed by the funds requested hereby was paid more than eighteen months after the later of (i) the date the expenditure is paid or (ii) the date the Project is placed in service, but in no event later than three years after the date the original expenditure was paid; and (14) set forth below is a table listing all of the major components of the Project, how much is being requested in this Funds Requisition Statement as an advance for certain components, how much has been advanced on each component to date, the percentage of each component that is completed

to date, and the purpose of the advance(s) being requested by this Funds Requisition Statement.

I hereby authorize CFC, for and on behalf of the Borrower, to forward this Funds Requisition Statement to the Trustee for disbursement of the Advance from the Project Account relating to the above Loan to the Borrower on the following terms, and hereby acknowledge and agree that such terms shall be binding upon Borrower under the provisions of the Loan Agreement governing this Advance:

| Project Component | Amount Expended to Date by Borrower | Amount Advanced to Date | Advance Amount Requested Herein | Percentage Complete |
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| Total | | | | |

Certified By:

_____ _____ _____

Signature Date Title of Authorized Officer

**PLEASE FAX TO 703-709-6776 ATTN: _____, Associate Vice President**

APPROVED:

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION

By: _____
Title: _____
Date: _____

**EXHIBIT B**

**BRING-DOWN CERTIFICATE**
**OF**
**BORROWER**

The undersigned, _____, duly qualified officers of SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (the *"Borrower"*), an Arizona corporation, hereby certify as follows:

1. The following documents have been duly executed, and delivered or accepted in the name and on behalf of the Borrower by the authorized officer or officers of the Borrower pursuant to, and in full compliance with, authority granted by the Board of Trustees/Directors of the Borrower:

| DOCUMENT | DATE | OTHER PARTY OR PARTIES |
|---|---|---|
| Loan Agreement (the *"Agreement"*) | _____, 200_ | National Rural Utilities Cooperative Finance Corporation (*"CFC"*) |
| Project Agreement (the *"Project Agreement"*) | _____, 200_ | |
| Note (the *"Note"*) | _____, 200_ | |

2. Each of the representations and warranties of the Borrower in the Loan Agreement and the Project Agreement are true and correct on and as of the date hereof (the *"Closing Date"*), and the Borrower has complied with all agreements and satisfied all conditions on its part to be observed or satisfied thereunder at or prior to the Closing Date.

IN WITNESS WHEREOF, the undersigned have hereunto set their signatures this ____ day of _____, 2008.

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

By _____
Title:

By _____
Title:

**EXHIBIT C**

**COMPLETION CERTIFICATE**
**OF**
**BORROWER**

Pursuant to the Loan Agreement dated as of _____ by and between SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (the "Borrower") and National Rural Utilities Cooperative Finance Corporation ("CFC") relating to CFC Loan Number AZ014-A-9038-CB001 (the "Loan Agreement"), the undersigned, _____, duly qualified officer of the Borrower, hereby certifies as follows:

(i) On [date of completion] all portions of the Project (as defined in the Loan Agreement) have been fully completed substantially in accordance with any plans and specifications therefore, as then amended; and

(ii) Amount advanced on the Loan (as defined in the Loan Agreement) and the use of the property financed, refinanced or reimbursed therefrom will not cause any of the representations or certifications contained in the Project Agreement (as defined in the Loan Agreement) to be untrue or result in a violation of any covenant in the Project Agreement.

IN WITNESS WHEREOF, the undersigned have hereunto set his/her signature this ____ day of _____, 20____.

SULPHUR SPRINGS VALLEY ELECTRIC
COOPERATIVE, INC.

By _____
Title:

**EXHIBIT D**

**TERMINATION CERTIFICATE**
**OF**
**BORROWER**

Pursuant to the Loan Agreement dated as of _____ by and between SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (the "Borrower") and National Rural Utilities Cooperative Finance Corporation ("CFC") relating to CFC Loan Number AZ014-A-9038-CB001 (the "Loan Agreement"), the undersigned, _____, duly qualified officer of the Borrower, hereby certifies as follows:

(i) all portions of the Project (as defined in the Loan Agreement) have not been fully completed substantially in accordance with any plans and specifications therefor, as then amended;

(ii) no further acquisition, construction or installation will occur with respect to the Project (as defined in the Loan Agreement); and

(iii) the Borrower does not intend to request any further Advances (as defined in the Loan Agreement) on the Loan (as defined in the Loan Agreement).

IN WITNESS WHEREOF, the undersigned have hereunto set his/her signature this ____ day of _____, 20____.

SULPHUR SPRINGS VALLEY ELECTRIC
COOPERATIVE, INC.

By _____
Title:

**SECURED PROMISSORY NOTE**

$280,000.00 dated as of 12/21/2007

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC., an Arizona corporation (the "Borrower"), for value received, hereby promises to pay, without setoff, deduction, recoupment or counterclaim, to the order of NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION (the "Payee"), at its office in Herndon, Virginia office or such other location at its office in Herndon, Virginia or such other location as the Payee may designate to the Borrower, in lawful money of the United States, the principal sum of TWO HUNDRED EIGHTY THOUSAND AND 00/100 DOLLARS ($280,000.00), or such lesser sum of the aggregate unpaid principal amount of all advances made by the Payee pursuant to that certain Loan Agreement dated as of even date herewith between the Borrower and the Payee, as it may be amended from time to time (herein called the "Loan Agreement"), and to pay interest on all amounts remaining unpaid hereunder from the date of each advance in like money, at said office, at the rate and in amounts and payable on the dates provided in the Loan Agreement together with any other amount payable under the Loan Agreement. If not sooner paid, any balance of the principal amount and interest accrued thereon shall be due and payable on the Maturity Date.

This Note is secured under a Restated Mortgage and Security Agreement, dated of December 6, 2007 between the Borrower and the Payee, as it may have been or shall be supplemented, amended, consolidated or restated from time to time ("Mortgage"). This Note is one of the Notes referred to in, and has been executed and delivered pursuant to, the Loan Agreement.

The principal hereof and interest accrued thereon and any other amount due under the Loan Agreement may be declared to be forthwith due and payable in the manner, upon the conditions, and with the effect provided in the Mortgage or the Loan Agreement.

The Borrower waives demand, presentment for payment, notice of dishonor, protest, notice of protest, and notice of non-payment of this Note.

IN WITNESS WHEREOF the Borrower has caused this Note to be signed in its corporate name and its corporate seal to be hereunto affixed and to be attested by its duly authorized officers, all as of the day and year first above written.

SULPHUR SPRINGS VALLEY
ELECTRIC COOPERATIVE, INC.

(SEAL)

By: Gene Mannin

Title: President

Attest: _____
~~Secretary~~

CREDEN W. HUBER
CHIEF EXECUTIVE OFFICER

Loan No. AZ014-A-9039-CB001

CFC NOTE
AZ014-A-9039-CB001 (JABLONJ)
116040-2

PROJECT AGREEMENT

OF

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (THE *"BORROWER"*)

DATED: as of 12/21/2007

The undersigned is a duly qualified officer of the Borrower named above and, as such officer, is familiar with (i) the properties, affairs and records of the Borrower, (ii) the issuance of the Securities (as hereinafter defined) and the use of the proceeds thereof as it relates to the Borrower and (iii) the Project, as hereinafter defined.

In connection with the issuance of the Clean Renewable Energy Bonds (Cooperative Renewable Energy Projects) Series 2008A (the *"Securities"*), being issued by the National Rural Utilities Cooperative Finance Corporation (the *"Issuer"*), the undersigned hereby certifies and covenants regarding the use of the proceeds of the Securities advanced to the Borrower, as follows:

1. General.

1.1 This Project Agreement is made pursuant to Section 54 of the Internal Revenue Code of 1986, as amended (the *"Code"*), and any United States Treasury regulations and other guidance thereunder to make the certifications required by Section 54 of the Code and any United Stares Treasury regulations and other guidance thereunder and to establish the reasonable expectations of the Borrower with respect to the amount and use of amounts to be advanced to the Borrower pursuant to the Loan Agreement dated as of even date herewith between the Issuer and the Borrower (the *"Loan Agreement"*). Capitalized terms used herein are defined where they first appear or are defined in *Exhibit A* attached hereto.

1.2 This Project Agreement is based on facts and estimates in existence on the date hereof and the continued veracity of these facts and estimates as of the date that the Securities are issued (the *"Closing"*) will be confirmed by the Borrower on the date of Closing, and on the basis of such facts and estimates, the Borrower expects that the events described herein will occur. To the best of the undersigned's knowledge, information, and belief, the expectations contained in this Project Agreement are reasonable.

1.3 The Borrower is a Qualified Borrower, as defined in *Exhibit A,* and is responsible for the acquiring/constructing/equipping of the Project (defined below). The undersigned has reviewed this Project Agreement, as well as the provisions of Section 54 of the Code and any United States Treasury regulations and other guidance thereunder, with its own legal counsel and understands and is familiar with this Project Agreement and the provisions of Section 54 and any United States Treasury regulations and other guidance thereunder. The Borrower will

comply in all respects with the provisions of Section 54 and any United States Treasury regulations and other guidance thereunder.

1.4 The Borrower agrees to keep and retain or cause to be kept and retained sufficient records to demonstrate compliance with the covenants in this Project Agreement. Such records shall include, but are not limited to, basic records relating to the issuance of the Securities (including this Project Agreement and the inducement resolution as described in Section 3.3 hereof); documentation evidencing the expenditure of amounts advanced to the Borrower pursuant to the Loan Agreement; documentation evidencing the use of property financed with amounts advanced to the Borrower pursuant to the Loan Agreement; and documentation evidencing all sources of payment or security maintained by the Borrower for amounts advanced to the Borrower pursuant to the Loan Agreement. Such records shall be kept until the date three (3) years after the CREB Maturity Date.

1.5 Neither the Borrower nor any Related Person (as defined in Exhibit A) to the Borrower will purchase any Securities.

2. Qualified Project.

2.1 The Loan Agreement requires the amounts advanced thereunder to be used for facilities to be owned by the Borrower, described in more detail in Section 2.2 hereof and in *Exhibit B* attached hereto as the "Updated Description of the Project" (the *"Project"*). The Project was originally described in an exhibit to the Application for National Clean Renewable Energy Bond Limitation submitted to the Internal Revenue Service by the Issuer in support of the national clean renewable energy bond allocation received by the Issuer, which "Original Description of the Project" is attached hereto as *Exhibit C.*

2.2 The Project is a Solar Energy Facility (the *"Qualifying Facility"*), as defined in *Exhibit A* and property functionally related and subordinate thereto, as further described in *Exhibit B,* attached hereto.

3. Clean Renewable Energy Bonds Qualification.

3.1 At least 95 percent of the proceeds advanced to the Borrower pursuant to the Loan Agreement will be used by the Borrower for capital expenditures with respect to the Project. None of the proceeds of the Loan (as defined in the Loan Agreement) will be paid to the Issuer, the Borrower or any Related Person to the Issuer or the Borrower, except for amounts paid to the Borrower to reimburse the Borrower for actual and direct expenditures relating to the Project paid by the Borrower to persons other than the Issuer, the Borrower or any Related Person to the Issuer or the Borrower.

3.2 The Borrower has incurred or will, within six months of the Closing Date, incur a substantial binding obligation (not subject to contingencies within the control of the Issuer, the Borrower or any Related Person to either of them) to a third party

to expend at least ten percent of the Loan Amount (*i.e.* the total amount to be advanced to the Borrower pursuant to the Loan Agreement). It is expected that the work of acquiring/constructing/equipping the Project and the expenditure of the Loan Amount will proceed with due diligence through November 24, 2008, at which time it is anticipated that the Loan Amount will have been spent in its entirety. The Borrower acknowledges that, to the extent that less than 95 percent of the Loan Amount is expended by a date five years from the date of issuance of the Securities, the Borrower will be required to prepay its Loan in an amount, and the Issuer will redeem Securities at the end of such five-year period in an amount, necessary to maintain the tax credit with respect to the Securities, unless otherwise permitted by Section 6.5 hereof.

It is expected that all amounts advanced to the Borrower under the Loan Agreement will be spent to pay costs of the Project in accordance with the estimated periodic drawdown schedule contained in *Exhibit D,* attached hereto. The assumptions set forth in this Section 3.2 and on *Exhibit D,* attached hereto, represent the Borrower's best estimate, as of this date, of the periodic drawdown schedule of the Loan Amount.

3.3 The Borrower may use amounts advanced to the Borrower under the Loan Agreement to reimburse itself for expenditures paid prior to the date of issuance of the Securities. The Borrower shall reimburse itself for expenditures paid prior to the date of issuance of the Securities only if such expenditure was paid after the Borrower adopted an inducement resolution, and the expenditure is described in such inducement resolution.

**The Borrower shall use proceeds of the Loan to reimburse itself for expenditures paid prior to the date the Securities were issued only if such reimbursement is made within eighteen months after the later of (i) the date the expenditure is paid or (ii) the date the Project is placed in service, but in no event later than three years after the date the original expenditure was paid.**

Except for any reimbursement allowed under this Section 3.3, no portion of the proceeds advanced to the Borrower will be used to pay for expenditures relating to acquiring existing facilities (as contrasted with costs of enhancements, repair or rehabilitation of existing facilities).

3.4 Neither the Project nor any portion thereof has been, is expected to be, or will be sold or otherwise disposed of, in whole or in part, prior to the last maturity date of the Securities.

3.5 The Borrower has entered into the Loan Agreement of even date hereof under which it is committed to borrow $280,000 from the Issuer of the Securities and the Borrower reasonably expects to borrow and expend the full amount of such commitment.

3.6 At least 75% of the Loan Amount is expected to be used for Construction Purposes.

3.7 The Borrower will not use proceeds of the Loan (i) to pre-pay for goods or services to be received over a period of years prior to the date such goods or services are to be received, or (ii) to pay for or otherwise acquire goods or services from an Affiliated Person, as defined in *Exhibit A*.

3.8 The Borrower shall at all times be a Qualified Borrower.

4. Remedial Action.

4.1 The Borrower agrees to operate the Project as a Qualifying Facility.

The Borrower acknowledges that if property financed with proceeds of the Securities advanced to the Borrower is operated in a manner other than as a Qualifying Facility such operation may constitute a "deliberate action" that may require remedial actions to prevent the tax credit being produced by the Securities from being disallowed.

The Borrower shall promptly contact the Issuer as provided in Section 6.3 hereof if it considers operating property financed with proceeds of the Loan other than as a Qualifying Facility.

4.2 The Borrower acknowledges that if property financed with proceeds of the Loan is sold or otherwise disposed of in a manner contrary to the provisions of Section 3.4 hereof, such sale or disposition may constitute a "deliberate action" that may require remedial actions to prevent the tax credit being produced by the Securities from being disallowed. If the Borrower considers the sale or other disposition of property financed with proceeds of the Loan, it shall promptly contact the Issuer, in the manner set forth in Section 6.3 hereof.

5. Funds and Accounts; Investments.

5.1 After the issuance of the Securities, neither the Borrower nor any Related Person to the Borrower has or will have any property, including cash, securities or any other property held as a passive vehicle for the production of income or for investment purposes, that constitutes:

(i) amounts that have a sufficiently direct nexus to the Securities or to the governmental purpose of the Securities to conclude that the amounts would have been used for that governmental purpose if the Securities were not used or to be used for that governmental purpose (the mere availability or preliminary earmarking of such amounts for a governmental purpose, however, does not itself establish such a sufficient nexus);

(ii) amounts in a debt service fund, redemption fund, reserve fund, replacement fund or any similar fund to the extent reasonably expected to be used directly or indirectly to pay principal of or interest on the Securities or any amounts for which there is provided, directly or indirectly, a reasonable assurance that the amount will be available to pay principal of or interest on the Securities or any credit enhancement or liquidity device with respect to the Securities, even if the Issuer, the Borrower or any Related Person to either of them encounter financial difficulties; or

(iii) any amounts held pursuant to any agreement (such as an agreement to maintain certain levels of types of assets) made for the benefit of the holders of the Securities or any credit enhancement provider, including any liquidity device or negative pledge (*e.g.*, any amount pledged to pay principal of or interest on an issue held under an agreement to maintain the amount at a particular level for the direct or indirect benefit of holders of the Securities or a guarantor of the Securities).

No compensating balance, liquidity account, negative pledge of property held for investment purposes required to be maintained at least at a particular level or similar arrangement exists with respect to, in any way, the Securities or any credit enhancement or liquidity device related to the Securities.

5.2 During the acquiring/constructing/equipping of the Project, the Borrower will only draw down amounts from the Issuer for capital expenditures already paid by the Borrower.

5.3 Neither the Borrower nor any Related Person to the Borrower will enter into any hedge (*e.g.*, an interest rate swap, interest rate cap, futures contract, forward contract or an option) with respect to the Loan or the Securities.

5.4 All property subject to the Mortgage is and will be used by the Borrower in the conduct of its trade or business. The Borrower reasonably expects to repay the Loan from current operating revenues. The Mortgage does not require that cash, securities, obligations, annuity contracts or other property held principally as a passive vehicle for the production of income be maintained, individually or collectively, at any particular level.

6. Miscellaneous.

6.1 This Project Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia.

6.2 Prior to the date 15 days before the Securities were sold, neither the Borrower nor any Related Person to the Borrower has sold or delivered any obligations that are reasonably expected to be paid out of substantially the same source of funds as the Securities. Neither the Borrower nor any Related Person to the Borrower will sell

or deliver within 15 days after the date hereof any obligations that are reasonably expected to be paid out of substantially the same source of funds as the Securities.

6.3 All notices provided for herein shall be given or made in writing (including, without limitation, by telecopy) and delivered to the Issuer at the "Address for Notices" specified below. All such communications shall be deemed to have been duly given (i) when personally delivered including, without limitation, by overnight mail or courier service, (ii) in the case of notice by United States mail, certified or registered, postage prepaid, return receipt requested, upon receipt thereof, or (iii) in the case of notice by telecopy, upon transmission thereof, provided such transmission is promptly confirmed by either of the methods set forth in clauses (i) or (ii) above in each case given or addressed as provided for herein. The Address for Notices of the Issuer is as follows:

National Rural Utilities Cooperative Finance Corporation
2201 Cooperative Way
Herndon, Virginia 20171-3025
Attention: Senior Vice President – Member Services
Fax #703-709-6776

6.4 The Borrower represents that it has not been contacted by the Internal Revenue Service or any issuer of bonds, the proceeds of which were loaned to the Borrower regarding any examination of any tax exempt bonds issued for the benefit of the Borrower. To the best of the knowledge of the Borrower, no such obligations of the Borrower are currently under examination by the Internal Revenue Service.

6.5 Any restriction or covenant contained herein need not be observed or may be changed if such nonobservance or change will not result in the loss of any tax credit under Section 54 of the Code for the purpose of federal income taxation to which the Securities is otherwise entitled and the Borrower receives an opinion of Bond Counsel to such effect and the Issuer agrees to such nonobservance or change.

6.6 If any clause, provision or section of this Project Agreement is ruled invalid by any court of competent jurisdiction, the invalidity of such clause, provision or section shall not affect any of the remaining clauses, sections or provisions hereof.

6.7 The terms, provisions, covenants and conditions of this Project Agreement shall bind and inure to the benefit of the respective successors and assigns of the Issuer and the Borrower.

6.8 This Project Agreement shall terminate on the date three (3) years after the CREB Maturity Date.

The undersigned acknowledge that this Project Agreement is given as a basis for an opinion of the law firm of Chapman and Cutler LLP, Chicago, Illinois, and such firm is hereby authorized to rely on this Project Agreement.

DATED as of the day and year first above written.

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

By Gene Manning

Title President

CFC DOC
AZ014-A-9039-CB001 (JABLONJ)
117510-1

## EXHIBIT A

## DEFINITIONS

*"Affiliated Person"* means any Person that (a) at any time during the six months prior to the Closing Date, (i) has more than five percent of the voting power of the governing body of the Issuer or the Borrower in the aggregate vested in its directors, officers, owners, and employees or (ii) has more than five percent of the voting power of its governing body in the aggregate vested in directors, officers, board members, owners, members or employees of the Issuer or the Borrower or (b) during the one-year period beginning six months prior to the Closing Date, (i) the composition of the governing body of which is modified or established to reflect (directly or indirectly) representation of the interests of the Issuer or the Borrower (or for which an agreement, understanding, or arrangement relating to such a modification or establishment during that one-year period) or (ii) the composition of the governing body of the Issuer or the Borrower is modified or established to reflect (directly or indirectly) representation of the interests of such Person (or for which an agreement, understanding, or arrangement relating to such a modification or establishment during that one-year period).

*"Bond Counsel"* means Chapman and Cutler LLP or any other nationally recognized firm of attorneys experienced in the field of municipal obligations whose opinions are generally accepted by purchasers of municipal obligations.

*"Closing Date"* means the date the Issuer issues the Securities.

*"Code"* means the Internal Revenue Code of 1986, as amended.

*"Constructed Personal Property"* means tangible personal property (or, if acquired pursuant to a single acquisition contract, properties) or Specially Developed Computer Software if (i) a substantial portion of the property or properties is completed more than six (6) months after the earlier of the date construction or rehabilitation commenced and the date the Borrower entered into an acquisition contract; (ii) based on the reasonable expectations of the Borrower, if any, or representations of the person constructing the property, with the exercise of due diligence, completion of construction or rehabilitation (and delivery to the issuer) could not have occurred within that six-month period; and (iii) if the Borrower itself builds or rehabilitates the property, not more than 75 percent of the capitalizable cost is attributable to property acquired by the Borrower (*e.g.,* components, raw materials, and other supplies).

*"Construction Purposes"* means capital expenditures that are allocable to the cost of Real Property or Constructed Personal Property. Except as provided in the next succeeding sentence, construction expenditures do not include expenditures for acquisitions of interests in land or other existing real property. Expenditures are not for the acquisition of an interest in existing real property other than land if the contract between the seller and the Borrower requires the seller to build or install the property (*e.g.,* a *turnkey contract*), but only to the extent that the property has not been built or installed at the time the parties enter into the contract.

*"Control"* means the possession, directly or indirectly through others, of either of the following discretionary and non-ministerial rights or powers over another entity (i) to approve and to remove without cause a controlling portion of the governing body of a Controlled Entity, or (ii) to require the use of funds or assets of a Controlled Entity for any purpose.

*"Controlled Entity"* means any entity or one of a group of entities that is subject to Control by a Controlling Entity or group of Controlling Entities.

*"Controlled Group"* means a group of entities directly or indirectly subject to Control by the same entity or group of entities, including the entity that has the Control of the other entities.

*"Controlling Entity"* means any entity or one of a group of entities directly or indirectly having Control of any entities or group of entities.

*"CREB Maturity Date"* shall have the meaning ascribed to it in the Loan Agreement.

*"Governmental Body"* means any State, territory, possession of the United States, the District of Columbia, Indian tribal government, and any political subdivision thereof.

*"Mortgage"* means the mortgage and security agreement applicable to substantially all of the property of the Borrower.

*"Qualified Borrower"* means (i) a mutual or cooperative electric company described in Sections 501(c)(12) or 1381(a)(2)(C) of the Code, or (ii) a Governmental Body (as defined above).

*"Real Property"* means land and improvements to land, such as buildings or other inherently permanent structures, including interests in real property. For example, real property includes wiring in a building, plumbing systems, central heating or air-conditioning systems, pipes or ducts, elevators, escalators installed in a building, paved parking areas, roads, wharves and docks, bridges, and sewage lines.

*"Related Person"* means any member of the same Controlled Group as the Issuer or the Borrower and any person related to the Issuer or a Borrower within the meaning of Section 144(a)(3) of the Code.

*"Solar Energy Facility"* means a facility using solar energy to produce electricity.

*"Specially Developed Computer Software"* means any programs or routines used to cause a computer to perform a desired task or set of tasks, and the documentation required to describe and maintain those programs, provided that the software is specially developed and is functionally related and subordinate to real property or other constructed personal property.

*"Tangible Personal Property"* means any tangible property other than real property, including interests in tangible personal property. For example, tangible personal property

includes machinery that is not a structural component of a building, subway cars, fire trucks, automobiles, office equipment, testing equipment, and furnishings.

## EXHIBIT B

## UPDATED DESCRIPTION OF THE PROJECT

| | |
|---|---|
| CFC Application | No. 9 Sulphur Springs Valley EC, Inc. |
| Bond Proceeds Needed for Project: | $280,000 |
| Bond Allocation Requested and Received: | $280,000 |
| Name of Project | Empire Elementary District Photovoltaic Solar Automobile Parking Shade Structure |
| Project Street Address | Empire Elementary School<br>13200 E. Greaterville Rd.<br>Sonoita, AZ 85637<br>Phone (520) 455-5043<br>Fax (520) 455-5811 |
| County | Santa Cruz County |
| Individual Name to Contact | Jack Blair |
| Company Name | Sulphur Springs Valley Electric Cooperative, Inc. |
| Street Address | 311 E. Wilcox Drive |
| City, State, Zip | Sierra Vista, AZ 85635 |
| Telephone Number | (520) 515-3470 |
| Fax | (520) 458-3467 |

Updated Detailed Description of the Project:

A cantilevered shade structure at a school on the top of which will be constructed a 23kW solar photovoltaic system to supply power to the school. Excess power will flow on to the SSVEC system.

## EXHIBIT C

## ORIGINAL DESCRIPTION OF THE PROJECT

## [COPY OF EXHIBIT A TO ISSUER APPLICATION TO THE IRS]
## CLEAN RENEWABLE ENERGY BONDS APPLICATION
## EXHIBIT A

## SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

## EMPIRE ELEMENTARY DISTRICT PHOTOVOLTAIC SOLAR SHADE STRUCTURE

This project will place a photovoltaic module costing $280,000, that will produce 23 kW of electricity in the automobile parking shade structure in the one Empire Elementary District school. The PV structure will provide electricity to the respective school at no charge. There will also be a cable connection to a computer in the library of each school to show students how the system is working.

This project is the identical project that Navopache Electric Cooperative in Arizona built in 2001 that continues to function with no issues/problems.

SSVEC will operate and maintain the structure. Any excess power produced will flow back to the SSVEC grid.

The PV structures at the schools will significantly reduce their electric bills, which have been disproportionately large due to the per meter monthly surcharges mandated by the Environmental Portfolio Program (EPP), and approved by the Arizona Corporation Commission. All customers pay the EPP fees to SSVEC, which uses them to fund renewable energy projects. Since each school has many meters, they pay the EPP a disproportionately large amount of dollars. The benefit of reduced electric bills will offset their payments into the fund.

The RFP issued by Sulphur Springs Valley Electric Cooperative follows.

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.
A TOUCHSTONE ENERGY® COOPERATIVE

FOR THE ELECTRIC COOPERATIVES IN THE STATE OF ARIZONA

# REQUEST
# A
# PROPOSAL

FOR

## A PHOTOVOLTAIC SYSTEM
## USED FOR
## SHADE STRUCTURES
## FOR
## PUBLIC BUILDINGS

**ISSUED: AUGUST 1, 2005**

Narrative: The Electric Cooperatives in Arizona (Duncan Valley EC, Graham County EC, Mohave EC, Navopache EC, Sulphur Springs Valley EC, Trico EC and Arizona Electric Power Cooperative, Inc.) request a proposal for a modular designed system to supply a 10 kW to 30 kW Photovoltaic (PV) system. System size is relative to the space available for the PV panels on each site. System may consist of multiple free standing modules interconnected to meet the 10 to 30 kW size requirement. Modules to be used as free standing carports or free standing covers for walkways to provide shade. These systems are to be used at public buildings to increase the awareness of PV systems and operations and systems will be sized based on the available space. Base pricing for 10, 15, 20, 25, and 30 kW systems are requested (systems may be rounded to the nearest 5kW increment). The interconnection cost from the PV system to nearest distribution panel will be on a case by case basis due to the variation in sites. This RFP is not all inclusive and contractor may include other specifications or requirements they feel are necessary for a successful venture.

This RFP is released on August 1, 2005 and response must be in a written proposal by October 1, 2005. For questions or clarification of details please contact Albert Gomez (520-515-3473) or David Bane (520-515-3472).

SCOPE OF WORK - THE CONTRACTOR WILL BE RESPONSIBLE FOR THE FOLLOWING:

- Structural design of the supporting PV structures (carport and walkway)
- One line circuit diagrams for approval by local Cooperative's engineering department
- Complete wiring diagrams (to be included in owner manual)
- Isolation transformers as needed to meet the NEC
- Purchase and installation of all components
- Systems test period of 4-6 weeks prior to transfer of title of equipment to site owner

- Any required Permits (Cooperative will reimburse actual cost of permits)
- Meter socket on the A/C output of the inverter(s)
- Interconnection with Customers electric service
- Fencing around inverters and other equipment as required for security and public safety
- Project to meet or exceed SunWatts standards
- Basic training for site owner / site operator
- Operators Manual

THE COOPERATIVE WILL PROVIDE THE FOLLOWING:

- Meter to measure AC output from PV system to owners electric panel
- Written permission from site owner to build the PV Module
- Act as the point of contact with the installation Contractor on behalf of the site owner

STRUCTURAL DESIGN REQUIREMENTS:

The basic structure is to support the PV cells but must be able to work as a carport with all the required clearances. Support should be in a cantilever style to allow easy parking, spacing on vertical supports should be in multiples of 10 feet to be able to match typical parking lot spacing, height should allow the parking of full size passenger vans, and structure does not have to be water proof (providing shade to vehicles is secondary to the production of energy). Sample profile (to show intent not required design) is on page 4. Ideal structure would have the ability to support PV panels that would be effective if the long side of the structure is in a North-South as well as East-West orientation.

PV DESIGN REQUIREMENTS:

- PV panels shall have warranty for a minimum of 15 years to cover rated output (out put degradation not to exceed 20% over life of panel)
- All system components will be UL certified
- System will include isolation transformers per section 250-30 of the NEC
- Polyphase inverter with voltage to match customer's system
- Inverter to match capacity of project
- 15 year manufacturers warranty on Inverter (contractor may use an extended warranty insurance policy to meet 15 year requirement)
- Contractor will warranty repair labor at 100% for first 5 years, 66% of labor for second 5 years, and 33% of labor for remaining 5 years, (limited to warranty repairs)
- Interconnection costs from site of PV system to nearest practical distribution panel will be on a case by case basis, (site selection process will keep this as short as possible)

SUNWATTS REQUIREMENTS:

- One-line drawings subject to approval by local Cooperative's engineering department
- Units to operate in parallel with grid
- Includes protection for out of frequency problems

- Low harmonics
- Inverter must disconnect in the event grid power is lost
- Lockable safety switch located between the inverter and meter socket

TRAINING REQUIREMENTS:

The Contractor will provide sufficient time with the site owner to explain how to disconnect the system, locate inverter, identify all junction boxes between the modules, and identify any system warning lights or displays. Contractor will also provide system manual with basic operating instructions and all the associated warranty information and manufacturer contacts listed.

## EXHIBIT D

## MONTHLY DRAWDOWN SCHEDULE OF AMOUNTS TO BE ADVANCED TO THE BORROWER PURSUANT TO THE LOAN AGREEMENT

| DATE ON WHICH PROCEEDS ARE EXPECTED TO BE EXPENDED | AMOUNTS OF PROCEEDS TO BE EXPENDED |
|---|---|
| November 24, 2008 | $280,000 |

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

To

NATIONAL RURAL UTILITIES
COOPERATIVE FINANCE CORPORATION
Issuer

# LOAN AGREEMENT

Dated as of 12/21, 2007

Clean Renewable Energy Bonds
(Cooperative Renewable Energy Projects) Series 2008A
of National Rural Utilities Cooperative Finance Corporation

CFC LOANAG
AZ014-A-9039-CB001 (JABLONJ)
117570-2

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## LOAN AGREEMENT

**LOAN AGREEMENT** (this "Agreement") dated as of _____, between SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. ("Borrower"), a corporation organized and existing under the laws of the State of Arizona and NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION ("CFC"), a cooperative association organized and existing under the laws of the District of Columbia.

## RECITALS

**WHEREAS,** the Borrower has applied to CFC for a loan for the purposes set forth in Schedule 1 hereto, and CFC is willing to make such a loan to the Borrower on the terms and conditions stated herein; and

**WHEREAS,** the Borrower has agreed to execute a promissory note to evidence an indebtedness in the aggregate principal amount of the CFC Commitment (as hereinafter defined).

**NOW, THEREFORE,** for and in consideration of the premises and the mutual covenants hereinafter contained, the parties hereto agree and bind themselves as follows:

## ARTICLE I

## DEFINITIONS

**Section 1.01** For purposes of this Agreement, the following capitalized terms shall have the following meanings (such definitions to be equally applicable to the singular and the plural form thereof). Capitalized terms that are not defined herein shall have the meanings as set forth in the Mortgage.

**"Accounting Requirements"** shall mean any system of accounts prescribed by a federal regulatory authority having jurisdiction over the Borrower or, in the absence thereof, the requirements of GAAP applicable to businesses similar to that of the Borrower.

**"Advance"** shall mean each advance of funds by CFC to the Borrower pursuant to the terms and conditions of this Agreement, including the Initial Advance and the Primary Advance.

**"Authorized Officer of the Borrower"** means the Chairman, General Manager or Chief Financial Officer of the Borrower or any other person authorized by the Board of the Borrower so to act or any other person performing a function similar to the function performed by any such officer or authorized person.

**"Average DSC Ratio"** shall mean the average of the Borrower's two highest annual DSC Ratios during the most recent three calendar years.

**"Bond Counsel"** means an attorney at law or a firm of attorneys (designated by CFC and acceptable to the Trustee) of nationally recognized standing in matters pertaining to the tax-exempt nature of interest or tax credits on bonds issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of any state of the United States of America.

**"Business Day"** shall mean any day that both CFC and the depository institution CFC utilizes for funds transfers hereunder are open for business.

**"CFC Commitment"** shall have the meaning as defined in Schedule 1.

**"CFC CREB Rate"** shall mean the interest rate charged by CFC for loans made by CFC from proceeds of the CREBs which rate shall not exceed one hundred and fifty basis points (150/100 of 1%) per annum.

**"Closing Date"** shall mean the date CFC issues the CREBs.

**"Code"** shall mean the Internal Revenue Code of 1986, as supplemented and amended.

**"Completion Certificate"** shall mean the certificate of the Borrower required by Section 5.01.P of this Agreement, substantially in the form of Exhibit C hereto.

**"CREBs"** shall mean the series of Securities issued by CFC to provide financing for the Project.

**"CREB Maturity Date"** shall mean the maturity date of the CREBs, which shall be the December 15th prior to the Maximum CREB Term Anniversary Date.

**"Debt Service Coverage ("DSC") Ratio"** shall mean the ratio determined as follows: for any calendar year add (i) Operating Margins, (ii) Non-Operating Margins--Interest, (iii) Interest Expense, (iv) Depreciation and Amortization Expense, and (v) cash received in respect of generation and transmission and other capital credits, and divide the sum so obtained by the sum of all payments of Principal and Interest Expense required to be made during such calendar year; provided, however, that in the event that any amount of Long-Term Debt has been refinanced during such year, the payments of Principal and Interest Expense required to be made during such year on account of such refinanced amount of Long-Term Debt shall be based (in lieu of actual payments required to be made on such refinanced amount of Long-Term 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 payment of Principal and Interest Expense required to be made during the following year on account of such refinancing debt.

**"Default Rate"** shall mean a rate per annum equal to one hundred and fifty basis points (150/100 of 1%).

**"Depreciation and Amortization Expense"** shall mean an amount constituting the depreciation and amortization of the Borrower computed pursuant to Accounting Requirements.

**"Determination of Tax Credit Ineligibility"** shall mean a determination that a particular series of Securities does not qualify for a tax credit for the owner thereof under Section 54 of the Code, which determination shall be deemed to have been made upon the occurrence of the first to occur of the following:

(a) the date on which CFC determines that there is a significant likelihood that a particular series of Securities may not qualify for a tax credit, if such determination is supported by a written opinion of Bond Counsel to that effect; or

(b) the date on which CFC shall receive notice in writing that the Trustee has been advised by the owner of any Security that a particular series of Securities does not qualify for a tax credit for the owner thereof, based upon a final determination made either by: (A) the Internal Revenue Service in a published or private ruling or technical advice memorandum or (B) any court of competent jurisdiction in the United States of America, as a result of a failure by CFC or any borrower to observe any agreement or representation in the Tax Compliance Agreement or a Loan Agreement or Project Agreement relating to the proceeds of the Securities. Any such determination will not be considered final for this purpose unless the Owner of the Securities involved in the proceeding or action resulting in the determination (i) gives CFC and the Trustee prompt written notice of the commencement thereof and (ii) if CFC agrees to pay all expenses in connection therewith and to indemnify such Owner of the Securities against all liabilities in connection therewith, offers CFC an opportunity to contest the determination, either directly or in the name of the Owner of the Securities, and until conclusion of any review, if sought.

**"Distributions"** shall mean, with respect to the Borrower, any dividend, patronage refund, patronage capital retirement or cash distribution to its members, or consumers (including but not limited to any general cancellation or abatement of charges for electric energy or services furnished by the Borrower). The term "Distribution" shall *not* include (a) a distribution by the Borrower to the estate of a deceased patron, (b) repayment by the Borrower of a membership fee upon termination of a membership, or (c) any rebate to a patron resulting from a cost abatement received by the Borrower, such as a reduction of wholesale power cost previously incurred.

**"Draw Period"** shall have the meaning as described in Schedule 1 hereto.

**"Environmental Laws"** shall mean all laws, rules and regulations promulgated by any Governmental Authority, with which Borrower is required to comply, regarding the use, treatment, discharge, storage, management, handling, manufacture, generation, processing, recycling, distribution, transport, release of or exposure to any Hazardous Material.

**"Equity"** shall mean the aggregate of the Borrower's equities and margins computed pursuant to Accounting Requirements.

**"Event of Default"** shall have the meaning as described in Article VI hereof.

**"Funds Requisition Statement"** shall mean the certificate of the Borrower, in the form set forth as Exhibit A to this Agreement, by which the Borrower will obtain an advance of funds from CFC under the Loan.

**"GAAP"** shall mean generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board.

**"Governmental Authority"** shall mean the government of the United States of America, any other nation or government, any state or other political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

**"Hazardous Material"** shall mean any (a) petroleum or petroleum products, radioactive materials, asbestos-containing materials, polychlorinated biphenyls, lead and radon gas, and (b) any

other substance designated as hazardous or toxic or as a pollutant or contaminant under any Environmental Law.

**"Indenture"** shall mean the Indenture between CFC and U.S. Bank Trust Company National Association, relating to the first issue of Securities, pursuant to which the Securities, including the CREBs are issued, as supplemented and amended.

**"Initial Advance"** shall mean the Advance made by CFC on the Closing Date pursuant to Section 3.02.A hereof to fund a portion of CFC's costs in issuing the CREBs attributable to the CFC Commitment, including, but not limited to, original issue discount, underwriting discount and other costs of issuance, including, without limitation, rating agency costs and legal, underwriting and Trustee expenses.

**"Interest Expense"** shall mean an amount constituting the interest expense with respect to Long-Term Debt of the Borrower computed pursuant to Accounting Requirements. 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 Restricted Rentals paid by the Borrower over 2% of the Borrower's Equity.

**"Lien"** shall mean any statutory or common law consensual or non-consensual mortgage, pledge, security interest, encumbrance, lien, right of set off, claim or charge of any kind, including, without limitation, any conditional sale or other title retention transaction, any lease transaction in the nature thereof and any secured transaction under the Uniform Commercial Code.

**"Loan"** shall mean the loan made by CFC to the Borrower, pursuant to this Agreement and the Note, in an aggregate principal amount not to exceed the CFC Commitment.

**"Loan Capital Term Certificate" or "LCTC"** shall mean a certificate, or book entry form of account, evidencing the Borrower's purchase of equity in CFC.

**"Loan Documents"** shall mean this Agreement, the Note, the Mortgage, the Project Agreement and all other documents or instruments executed, delivered or executed and delivered by the Borrower and evidencing, securing, governing or otherwise pertaining to, the Loan.

**"Long-Term Debt"** shall mean an amount constituting the long-term debt of the Borrower computed pursuant to Accounting Requirements.

**"Maturity Date"** shall mean the Payment Date immediately prior to the CREB Maturity Date permitted for the CREBs under Section 54(e)(2) of the Code as in effect on the Closing Date.

**"Maximum CREB Term Anniversary Date"** shall mean the anniversary of the Closing Date that occurs at the maximum term permitted for the CREBs under Section 54(e)(2) of the Code as in effect on the Closing Date.

**"Mortgage"** shall have the meaning as described in Schedule 1 hereto.

**"Mortgaged Property"** shall have the meaning ascribed to it in the Mortgage.

**"Non-Operating Margins--Interest"** shall mean the amount representing the interest component of non-operating margins of the Borrower computed pursuant to Accounting Requirements.

**"Note"** shall mean the secured promissory note, payable to the order of CFC, executed by the Borrower, dated as of even date herewith, pursuant to this Agreement as identified on Schedule 1 hereto and shall include any substitute note or modification thereto.

**"Obligations"** shall mean any and all liabilities, obligations or indebtedness owing by the Borrower to CFC, of any kind or description, irrespective of whether for the payment of money, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising.

**"Operating Margins"** shall mean the amount of patronage capital and operating margins of the Borrower computed pursuant to Accounting Requirements.

**"Payment Date"** shall mean the first (1st) day of each of March, June and September and December.

**"Payment Notice"** shall mean a notice furnished by CFC to the Borrower that indicates the amount of each payment of interest or interest and principal and the total amount of each payment due.

**"Permitted Encumbrances"** shall have the meaning ascribed to it in the Mortgage.

**"Person"** shall mean natural persons, cooperatives, corporations, limited liability companies, limited partnerships, general partnerships, limited liability partnerships, joint ventures, associations, companies, trusts or other organizations, irrespective of whether they are legal entities, and Governmental Authorities.

**"Primary Advance"** shall mean the Advance made by CFC to the Borrower pursuant to Section 3.02.B hereof two Business Days after the Closing Date to reimburse Borrower for costs of the Project.

**"Principal"** shall mean the amount of principal billed on account of Long-Term Debt of the Borrower computed pursuant to Accounting Requirements.

**"Project"** shall mean the project being financed pursuant to the Loan, as further described in Schedule 1.

**"Project Account"** means an account created pursuant to the Indenture within the Project Fund related to the CREBs.

**"Project Agreement"** shall mean the Project Agreement, dated as of even date herewith, executed by the Borrower with respect to the Project and the CREBs.

**"Project Fund"** means the Project Fund created and identified as such in the Indenture.

**"Restricted Rentals"** shall mean all rentals required to be paid under finance leases and charged to income, exclusive of any amounts paid under any such lease (whether or not designated therein as rental or additional rental) for maintenance or repairs, insurance, taxes, assessments, water rates or similar charges. For the purpose of this definition the term "finance lease" shall mean any lease having a rental term (including the term for which such lease may be renewed or extended at the option of the lessee) in excess of three (3) years and covering property having an initial cost in excess of $250,000 other than automobiles, trucks, trailers, other vehicles (including without

limitation aircraft and ships), office, garage and warehouse space and office equipment (including without limitation computers).

**"Securities"** shall mean one or more series of clean renewable energy bonds issued by CFC under the Indenture.

**"Subsidiary"** as to any Person, shall mean a corporation, partnership, limited partnership, limited liability company or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise qualified, all references to a "Subsidiary" or to "Subsidiaries" in this Agreement shall refer to a Subsidiary or Subsidiaries of the Borrower.

**"Tax Compliance Agreement"** means a tax compliance certificate and agreement of CFC with respect to a series of Securities, as accepted by the Trustee, as amended.

**"Termination Certificate"** shall mean the certificate of the Borrower required by Section 5.01.Q of this Agreement, substantially in the form of Exhibit D hereto.

**"Total Assets"** shall mean an amount constituting the total assets of the Borrower computed pursuant to Accounting Requirements.

**"Total Utility Plant"** shall mean the amount constituting the total utility plant of the Borrower computed pursuant to Accounting Requirements.

**"Trustee"** shall mean U.S. Bank Trust Company National Association and its successors and assigns.

## ARTICLE II

## REPRESENTATIONS AND WARRANTIES

**Section 2.01** The Borrower represents and warrants to CFC that as of the date of this Agreement:

**A. Good Standing.** The Borrower is duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization, is duly qualified to do business and is in good standing in those states in which it is required to be qualified to conduct its business. The Borrower is a member in good standing of CFC.

**B. Subsidiaries and Ownership.** Schedule 1 hereto sets forth a complete and accurate list of the Subsidiaries of the Borrower showing the percentage of the Borrower's ownership of the outstanding stock, membership interests or partnership interests, as applicable, of each Subsidiary.

**C. Authority; Validity.** The Borrower has the power and authority to enter into this Agreement, the Note, the Project Agreement and the Mortgage; to make the borrowing hereunder; to execute and deliver all documents and instruments required hereunder and to incur and perform the obligations provided for herein, in the Note, in the Project Agreement and in the Mortgage, all of which have been duly authorized by all necessary and proper action; and no consent or approval of

any Person, including, as applicable and without limitation, members of the Borrower, which has not been obtained is required as a condition to the validity or enforceability hereof or thereof.

Each of this Agreement, the Note, the Project Agreement and the Mortgage is, and when fully executed and delivered will be, legal, valid and binding upon the Borrower and enforceable against the Borrower in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity.

**D. No Conflicting Agreements.** The execution and delivery of the Loan Documents and performance by the Borrower of the obligations thereunder, and the transactions contemplated hereby or thereby, will not: (i) violate any provision of law, any order, rule or regulation of any court or other agency of government, any award of any arbitrator, the articles of incorporation or by-laws of the Borrower, or any indenture, contract, agreement, mortgage, deed of trust or other instrument to which the Borrower is a party or by which it or any of its property is bound; or (ii) be in conflict with, result in a breach of or constitute (with due notice and/or lapse of time) a default under, any such award, indenture, contract, agreement, mortgage, deed of trust or other instrument, or result in the creation or imposition of any Lien (other than contemplated hereby) upon any of the property or assets of the Borrower.

The Borrower is not in default in any material respect under any agreement or instrument to which it is a party or by which it is bound and no event or condition exists which constitutes a default, or with the giving of notice or lapse of time, or both, would constitute a default under any such agreement or instrument.

**E. Taxes.** The Borrower, and each of its Subsidiaries, has filed or caused to be filed all federal, state and local tax returns which are required to be filed and has paid or caused to be paid all federal, state and local taxes, assessments, and governmental charges and levies thereon, including interest and penalties to the extent that such taxes, assessments, and governmental charges and levies have become due, except for such taxes, assessments, and governmental charges and levies which the Borrower or any Subsidiary is contesting in good faith by appropriate proceedings for which adequate reserves have been set aside.

**F. Licenses and Permits.** The Borrower has duly obtained and now holds all licenses, permits, certifications, approvals and the like necessary to own and operate its property and business that are required by Governmental Authorities and each remains valid and in full force and effect.

**G. Litigation.** There are no outstanding judgments, suits, claims, actions or proceedings pending or, to the knowledge of the Borrower, threatened against or affecting the Borrower, its Subsidiaries or any of their respective properties which, if adversely determined, either individually or collectively, would have a material adverse effect upon the business, operations, prospects, assets, liabilities or financial condition of the Borrower or its Subsidiaries. The Borrower and its Subsidiaries are not, to the Borrower's knowledge, in default or violation with respect to any judgment, order, writ, injunction, decree, rule or regulation of any Governmental Authority which would have a material adverse effect upon the business, operations, prospects, assets, liabilities or financial condition of the Borrower or its Subsidiaries.

**H. Financial Statements.** The balance sheet of the Borrower as at the date identified in Schedule 1 hereto, the statement of operations of the Borrower for the period ending on said date, and the interim financial statements of the Borrower, all heretofore furnished to CFC, are complete and correct. Said balance sheet fairly presents the financial condition of the Borrower as at said date

and said statement of operations fairly reflects its operations for the period ending on said date. The Borrower has no contingent obligations or extraordinary forward or long-term commitments except as specifically stated in said balance sheet or herein. There has been no material adverse change in the financial condition or operations of the Borrower from that set forth in said financial statements except changes disclosed in writing to CFC prior to the date hereof.

I. **Borrower's Legal Status.** Schedule 1 hereto accurately sets forth: (i) the Borrower's exact legal name, (ii) the Borrower's organizational type and jurisdiction of organization, (iii) the Borrower's organizational identification number or accurate statement that the Borrower has none, and (iv) the Borrower's place of business or, if more than one, its chief executive office as well as the Borrower's mailing address if different.

J. **Required Approvals.** Other than the CREBs allocation received from the Internal Revenue Service, no license, consent or approval of any Governmental Authority is required to enable the Borrower to enter into this Agreement, the Project Agreement, the Note and the Mortgage, or to perform any of its Obligations provided for in such documents, including without limitation (and if applicable), that of any state public utilities commission, any state public service commission, and the Federal Energy Regulatory Commission, except as disclosed in Schedule 1 hereto, all of which the Borrower has obtained prior to the date hereof.

K. **Compliance With Laws.** The Borrower and each Subsidiary is in compliance, in all material respects, with all applicable requirements of law and all applicable rules and regulations of each Governmental Authority.

L. **Disclosure.** To the Borrower's knowledge, information and belief, neither this Agreement nor any document, certificate or financial statement furnished to CFC by or on behalf of the Borrower in connection herewith (all such documents, certificates and financial statements, taken as a whole) contains any untrue statement of a material fact or omits to state any material fact necessary in order to make the statements contained herein and therein not misleading.

M. **No Other Liens.** As to property which is presently included in the description of Mortgaged Property, the Borrower has not, without the prior written approval of CFC, executed or authenticated any security agreement or mortgage, or filed or authorized any financing statement to be filed with respect to assets owned by it, other than security agreements, mortgages and financing statements in favor of CFC, except as disclosed in writing to CFC prior to the date hereof or relating to Permitted Encumbrances.

N. **Environmental Matters.** Except as to matters which individually or in the aggregate would not have a material adverse effect upon the business or financial condition of the Borrower or its Subsidiaries, (i) Borrower is in compliance with all Environmental Laws (including, but not limited to, having any required permits and licenses), (ii) there have been no releases (other than releases remediated in compliance with Environmental Laws) from any underground or aboveground storage tanks (or piping associated therewith) that are or were present at the Mortgaged Property, (iii) Borrower has not received written notice or claim of any violation of any Environmental Law, (iv) there is no pending investigation of Borrower in regard to any Environmental Law, and (v) to the best of Borrower's knowledge, there has not been any release or contamination (other than releases or contamination remediated in compliance with Environmental Laws) resulting from the presence of Hazardous Materials on property owned, leased or operated by the Borrower.

O. **Project Agreement.** As set forth in the Project Agreement, the Project constitutes "a qualified project" as defined in Section 54(d)(2)(A) of the Code. As set forth in the Project Agreement,

the Borrower constitutes currently, and will remain through the period that the CREBs remain outstanding, "a Qualified Borrower", meaning a (i) mutual or cooperative electric company described in Sections 501(c)(12) or 1381(a)(2)(C) of the Code, or (ii) a Governmental Body, which is defined as any state, territory possession of the U.S., the District of Columbia, Indian tribal government, and any political subdivision thereof. The statements, information and descriptions contained in the Project Agreement are true, correct and complete, and do not contain any untrue statement or misleading statement of a material fact, and do not omit to state a material fact required to be stated therein or necessary to make the statements, information and descriptions contained therein, in the light of the circumstances under which they were made, not misleading, and the estimates and the assumptions contained in the Project Agreement are reasonable and based on the best information available to the Borrower.

## ARTICLE III

## LOAN

**Section 3.01 Definitions.** For purposes of this Article 3, the following capitalized terms shall have the following meanings:

**"Borrower's Annual Bond Repayment Amount"** shall mean the amount determined by dividing the CFC Commitment by the number of years from the Closing Date to the Maximum CREB Term Anniversary Date, which amount shall be recalculated on the date CFC rescinds any excess moneys pursuant to Section 3.05 or 3.06 hereof.

**"Quarterly Bond Deposit Amount"** shall mean for each Payment Date, the amount determined by subtracting from the Quarterly Bond Repayment Amount the principal amount payable by the Borrower pursuant to Section 3.03.A(ii)(b)(1) on such Payment Date.

**"Quarterly Bond Repayment Amount"** shall mean one-fourth (¼) of the Borrower's Annual Bond Repayment Amount.

**Section 3.02 Advances.** The obligation of the Borrower to repay the Advances shall be evidenced by the Note. The aggregate amount of all Advances made hereunder shall not exceed the CFC Commitment. At the end of the Draw Period, CFC shall have no further obligation to make Advances.

**A. Initial Advance.** Borrower hereby agrees that on the Closing Date, CFC shall automatically, and without action by Borrower, make the Initial Advance. On the Closing Date, CFC shall notify Borrower of the final amount of the Initial Advance and the amount of the CFC Commitment remaining for Borrower to subsequently Advance.

**B. Subsequent Advances.**

(i) The Borrower may submit a request for the Primary Advance to CFC in writing (which may be submitted by facsimile) no later than 12:00 noon local time at CFC's offices in Herndon, Virginia seven Business Days prior to the Closing Date. The Primary Advance may be requested in any amount up to the CFC Commitment. CFC shall make the Primary Advance two Business Days after the Closing Date in the lesser of (i) the aggregate amount of such requested Primary Advance, and (ii) the amount of the CFC Commitment less the amount of the Initial Advance.

(ii) Except as set forth in 3.02.A and 3.02.B(i) hereof, the Borrower shall submit its request for an Advance to CFC in writing (which may be submitted by facsimile) no later than 12:00 noon local time at CFC's offices in Herndon, Virginia at least two (2) Business Days prior to the last Business Day of any calendar month. Borrower may make multiple requests for Advances during any calendar month in any amount so long as the aggregate amount of all Advances requested in such month is in an amount not less than $100,000.00; *provided, however* that at such time as there remains less than $100,000.00 available for Advance hereunder, Borrower may request the entirety of such remaining amount. CFC shall make a single Advance to Borrower on the first Business Day of the calendar month following Borrower's request(s) for an Advance. Such Advance shall be in the aggregate amount of all Advances requested by Borrower in the prior month, *provided however* that at such time as there remains less than $100,000.00 available for Advance hereunder and Borrower requests the entirety of such remaining amount, CFC shall Advance the entirety of such remaining amount.

**Section 3.03 Interest Rate and Payment.** The Note shall be payable and bear interest as follows:

**A. Payments; Maturity; Amortization.**

(i) The Note shall be due and payable on the Maturity Date.

(ii) On each Payment Date, the Borrower shall promptly pay the following:

(a) accrued interest on the principal amount of the Loan outstanding less the amount of the Initial Advance; and

(b) the Quarterly Bond Repayment Amount, consisting of:

(1) the principal amount due on any outstanding Advances, determined on the basis of a quarterly amortization schedule from the date of each Advance; and

(2) the Quarterly Bond Deposit Amount.

(iii) If not sooner paid, any amount due on account of the unpaid principal, interest accrued thereon and fees, if any, shall be due and payable on the Maturity Date.

(iv) Each Advance shall amortize on a level principal payment basis from the date thereof through the Maturity Date.

(v) CFC will furnish to the Borrower a Payment Notice at least ten (10) days before each Payment Date, provided, however, that CFC's failure to send a Payment Notice shall not constitute a waiver by CFC or be deemed to relieve the Borrower of its obligation to make payments as and when due as provided for herein.

(vi) No provision of this Agreement or of any Note shall require the payment, or permit the collection, of interest in excess of the highest rate permitted by applicable law.

Borrower agrees that the records of, and all computations by, CFC (in whatever media they are recorded or maintained) as to the amount of principal, interest, fees and Quarterly Bond Deposit Amount due on the Loan shall be conclusive in the absence of manifest error.

**B. Application of Payments.** Each payment shall be applied to the Loan, first to any fees, costs, expenses or charges other than interest or principal, second to interest accrued, third to the Quarterly Bond Deposit Amount and the balance to principal.

**C. Application of Bond Repayment Deposit.** At such time as the aggregate amount billed by CFC in any calendar year on account of amortized principal under this Agreement exceeds the Borrower's Annual Bond Repayment Amount for such year, CFC shall apply a portion of the Borrower's prior payments of the Quarterly Bond Deposit Amount in the amount of such overage to principal then due. Until such time, Borrower's payments of the Quarterly Bond Deposit Amount shall not reduce the amount of principal outstanding and subject to amortization. Any amount paid by the Borrower under this Agreement on account of the Quarterly Bond Deposit Amount in excess of the principal amount of the fully advanced Loan shall be refunded to the Borrower on the Maturity Date.

**D. Interest Rate Computation.** Each Advance except the Initial Advance shall bear interest at the CFC CREB Rate which shall apply until the Maturity Date. The Initial Advance shall not bear interest. Interest on Advances shall be computed on the basis of a 30-day month and 360-day year.

**Section 3.04. Extraordinary Obligation to Prepay.** Upon a Determination of Tax Credit Ineligibility that subjects the CREBs to an extraordinary mandatory redemption due to a failure of the Borrower to observe any agreement or representation in this Loan Agreement (as more particularly described in paragraph (b) of the defined term "Determination of Tax Credit Ineligibility"), the Borrower shall prepay the Loan, or such part thereof as determined by CFC, at such times and in such amounts as determined by CFC within sixty (60) days of such determination together with a prepayment premium prescribed by CFC pursuant to its policies of general application in effect from time to time.

**Section 3.05. Rescission of Excess Moneys; Fee.** If the Borrower has not drawn down the full amount of the CFC Commitment at (i) the time of filing the Completion Certificate under Section 5.01P. hereof, (ii) the time of filing the Termination Certificate under 5.01Q. hereof, (iii) a Determination of Tax Credit Ineligibility or (iv) the end of the Draw Period, a corresponding rescission of the amount of principal available to be drawn on the Note as calculated by CFC shall automatically be made without further action by the Borrower. CFC shall release the Borrower from its obligations hereunder as to such rescinded portion, provided the Borrower complies with such terms and conditions as CFC may impose for such release including, without limitation, payment of any rescission fee that CFC may from time to time prescribe, pursuant to its policies of general application.

**Section 3.06. Cancellation of Excess Moneys.** If the Borrower has not drawn down the full amount of the CFC Commitment at the time CFC determines that it will cease making Advances hereunder pursuant to Section 7.01 hereof, a corresponding cancellation of the amount of principal available to be drawn on the Note as calculated by CFC shall automatically be made without action by the Borrower.

**Section 3.07. Default Rate.** If Borrower defaults on its obligation to make a payment due hereunder by the applicable Payment Date, and such default continues for thirty days thereafter, then

beginning on the thirty-first day after the Payment Date and for so long as such default continues, Advances shall bear interest at the Default Rate.

**Section 3.08. Patronage Capital; Interest Rate Discounts.** No patronage capital shall be earned, and no interest rate discounts shall apply, to the Loan.

**Section 3.09. Optional Prepayment.** Except for prepayments made pursuant to Section 3.04 hereof, no prepayment of any Advance, in whole or in part, may be made by the Borrower.

## ARTICLE IV

## CONDITIONS OF LENDING

**Section 4.01** The obligation of CFC to make any Advance hereunder is subject to satisfaction of the following conditions in form and substance satisfactory to CFC:

**A. Legal Matters.** All legal matters incident to the consummation of the transactions hereby contemplated shall be satisfactory to counsel for CFC.

**B. Documents.** CFC shall have been furnished with (i) the executed Loan Documents, (ii) certified copies of all such organizational documents and proceedings of the Borrower authorizing the transactions hereby contemplated as CFC shall require, (iii) an opinion of counsel for the Borrower addressing such legal matters as CFC shall reasonably require, and (iv) all other such documents as CFC may reasonably request.

**C. Government Approvals.** The Borrower shall have furnished to CFC true and correct copies of all certificates, authorizations, consents, permits and licenses from Governmental Authorities necessary for the execution or delivery of the Loan Documents or performance by the Borrower of the obligations thereunder.

**D. Representations and Warranties.** The representations and warranties contained in Article II shall be true on the date of the making of each Advance hereunder with the same effect as though such representations and warranties had been made on such date; no Event of Default and no event which, with the lapse of time or the notice and lapse of time would become such an Event of Default, shall have occurred and be continuing or will have occurred after giving effect to each Advance on the books of the Borrower; there shall have occurred no material adverse change in the business or condition, financial or otherwise, of the Borrower; and nothing shall have occurred which in the opinion of CFC materially and adversely affects the Borrower's ability to perform its obligations hereunder.

**E. Mortgage Recordation.** The Mortgage (and any amendments, supplements or restatements as CFC may require from time to time) shall have been duly filed, recorded or indexed in all jurisdictions necessary (and in any other jurisdiction that CFC shall have reasonably requested) to provide CFC a lien, subject to Permitted Encumbrances, on all of the Borrower's real property, all in accordance with applicable law, and the Borrower shall have paid all applicable taxes, recording and filing fees and caused satisfactory evidence thereof to be furnished to CFC.

**F. UCC Filings.** Uniform Commercial Code financing statements (and any continuation statements and other amendments thereto that CFC shall require from time to time) shall have been duly filed, recorded or indexed in all jurisdictions necessary (and in any other jurisdiction that CFC

shall have reasonably requested) to provide CFC a perfected security interest, subject to Permitted Encumbrances, in the Mortgaged Property which may be perfected by the filing of a financing statement, all in accordance with applicable law, and the Borrower shall have paid all applicable taxes, recording and filing fees and caused satisfactory evidence thereof to be furnished to CFC.

**G. Requisitions.** The Borrower will requisition each Advance by submitting its written requisition to CFC in the form attached as Exhibit A hereto. Requisitions for Advances shall be made only for the purposes set forth in Schedule 1 hereto.

**H. Other Information.** The Borrower shall have furnished such other information as CFC may reasonably require, including but not limited to (i) information regarding the specific purpose for an Advance and the use thereof, (ii) feasibility studies, cash flow projections, financial analyses and pro forma financial statements sufficient to demonstrate to CFC's reasonable satisfaction that after giving effect to the Advance requested, the Borrower shall continue to achieve the DSC ratio set forth in Section 5.01.A herein, to meet all of its debt service obligations, and otherwise to perform and to comply with all other covenants and conditions set forth in this Agreement, and (iii) any other information as CFC may reasonably request. CFC's obligation to make any Advance hereunder is conditioned upon prior receipt and approval of the Borrower's written requisition and other information and documentation, if any, as CFC may have requested pursuant to this paragraph.

**I. Issuance of Bonds.** CFC shall have issued CREBs in an amount not less than the CFC Commitment.

**J. CREB Allocation**. CFC shall have received an allocation in the amount of the CFC Commitment from the U.S. Department of Treasury for the Borrower's Project under its Securities program.

**K. Tax Credit Ineligibility.** There shall have occurred no Determination of Tax Credit Ineligibility with regard to the Borrower or the Project.

**L. Bring Down Certificate.** Two (2) Business Days prior to the Closing Date, the Borrower shall furnish CFC with a certificate of an Authorized Officer of the Borrower in the form of Exhibit B hereto, certifying that all of the representations and warranties set forth in Article II hereof are true on the Closing Date.

## ARTICLE V

## COVENANTS

**Section 5.01 Affirmative Covenants.** The Borrower covenants and agrees with CFC that until payment in full of the Note and performance of all obligations of the Borrower hereunder:

**A. Financial Ratios; Design of Rates.** The Borrower shall achieve an Average DSC Ratio of not less than 1.35. The Borrower shall not decrease its rates for electric service if it has failed to achieve a DSC Ratio of 1.35 for the calendar year prior to such reduction subject only to an order from a Governmental Authority properly exercising jurisdiction over the Borrower.

**B. Loan Proceeds.** The Borrower shall use the proceeds of this Loan solely for the purposes identified on Schedule 1 hereto.

**C. Notice.** The Borrower shall promptly notify CFC in writing of:

(i) any material adverse change in the business, operations, prospects, assets, liabilities or financial condition of the Borrower;

(ii) the institution or threat of any litigation or administrative proceeding of any nature involving the Borrower which could materially affect the business, operations, prospects, assets, liabilities or financial condition of the Borrower;

(iii) the occurrence of an Event of Default hereunder, or any event that, with the giving of notice or lapse of time, or both, would constitute an Event of Default.

**D. Default Notices.** Upon receipt of any notices with respect to a default by the Borrower under the terms of any evidence of any indebtedness with parties other than CFC or of any loan agreement, mortgage or other agreement relating thereto, the Borrower shall deliver copies of such notice to CFC.

**E. Annual Certificates.**

(i) Within one hundred twenty (120) days after the close of each calendar year, commencing with the year in which the initial Advance hereunder shall have been made, the Borrower will deliver to CFC a written statement, in form and substance satisfactory to CFC, signed by the Borrower's General Manager or Chief Executive Officer, stating that during such year, and that to the best of said person's knowledge, the Borrower has fulfilled all of its obligations under this Agreement, the Project Agreement, the Note, and the Mortgage throughout such year or, if there has been a default in the fulfillment of any such obligations, specifying each such default known to said person and the nature and status thereof.

(ii) The Borrower shall deliver to CFC within one hundred twenty (120) days of CFC's written request, which shall be no more frequently than once every year, a certification, in form and substance satisfactory to CFC, regarding the condition of the Mortgaged Property prepared by a professional engineer satisfactory to CFC. The Borrower shall also deliver to CFC such other information as CFC may reasonably request from time to time.

**F. Loan Capital Term Certificate Purchase.** The Borrower will purchase LCTCs, if required, in an amount calculated pursuant to CFC's policies of general application and shall pay for such LCTCs as required thereby. CFC's policies with respect to such LCTCs are set forth in Schedule 1.

**G. Financial Books; Financial Reports; Right of Inspection.** The Borrower will at all times keep, and safely preserve, proper books, records and accounts in which full and true entries will be made of all of the dealings, business and affairs of the Borrower, in accordance with Accounting Requirements. When requested by CFC, the Borrower will prepare and furnish CFC from time to time, periodic financial and statistical reports on its condition and operations. All of such reports shall be in such form and include such information as may be specified by CFC. Within one hundred twenty (120) days of the end of each calendar year during the term hereof, the Borrower shall furnish to CFC a full and complete report of its financial condition and statement of its operations as of the end of such calendar year, in form and substance satisfactory to CFC. In addition, within one hundred twenty (120) days of the end of each the Borrower's fiscal years during the term hereof, the Borrower shall furnish to CFC a full and complete consolidated and consolidating report of its financial condition and statement of its operations as of the end of such fiscal year,

audited and certified by independent certified public accountants nationally recognized or otherwise satisfactory to CFC and accompanied by a report of such audit in form and substance satisfactory to CFC, including without limitation a consolidated and consolidating balance sheet and the related consolidated and consolidating statements of income and cash flow. CFC, through its representatives, shall at all times during reasonable business hours and upon prior notice have access to, and the right to inspect and make copies of, any or all books, records and accounts, and any or all invoices, contracts, leases, payrolls, canceled checks, statements and other documents and papers of every kind belonging to or in the possession of the Borrower or in anyway pertaining to its property or business.

**H. Notice of Additional Secured Debt.** The Borrower will notify CFC promptly in writing if it incurs any additional secured indebtedness other than indebtedness to CFC or indebtedness otherwise provided for in the Mortgage.

**I. Funds Requisition.** The Borrower agrees (i) that CFC may rely conclusively upon the written instructions submitted to CFC in the Borrower's written request for an Advance hereunder, (ii) that such instructions shall constitute a covenant under this Agreement to repay the Advance in accordance with such instructions, the applicable Note, the Mortgage, the Project Agreement and this Agreement, and (iii) to request Advances only for the purposes set forth in Schedule 1 hereto.

**J. Compliance With Laws.** The Borrower and each Subsidiary shall remain in compliance, in all material respects, with all applicable requirements of law and applicable rules and regulations of each Governmental Authority.

**K. Taxes.** The Borrower shall pay, or cause to be paid all taxes, assessments or governmental charges lawfully levied or imposed on or against it and its properties prior to the time they become delinquent, except for any taxes, assessments or charges that are being contested in good faith and with respect to which adequate reserves as determined in good faith by the Borrower have been established and are being maintained.

**L. Further Assurances.** The Borrower shall execute any and all further documents, financing statements, agreements and instruments, and take all such further actions (including the filing and recording of financing statements, fixture filings, mortgages, deeds of trust and other documents), which may be required under any applicable law, or which CFC may reasonably request, to effectuate the transactions contemplated by the Loan Documents or to grant, preserve, protect or perfect the Liens created or intended to be created thereby. The Borrower also agrees to provide to CFC, from time to time upon request, evidence reasonably satisfactory to CFC as to the perfection and priority of the Liens created or intended to be created by the Loan Documents.

**M. Environmental Covenants.** Borrower shall:

(i) at its own cost, comply in all material respects with all applicable Environmental Laws, including, but not limited to, any required remediation; and

(ii) if it receives any written communication alleging Borrower's violation of any Environmental Law, provide CFC with a copy thereof within ten (10) Business Days after receipt, and promptly take appropriate action to remedy, cure, defend, or otherwise affirmatively respond to the matter.

**N. Limitations on Loans, Investments and Other Obligations.** The aggregate amount of all purchases, investments, loans, guarantees, commitments and other obligations described in

Section 5.02.D(i) of this Agreement shall at all times be less than fifteen percent (15%) of Total Utility Plant or fifty percent (50%) of Equity, whichever is greater.

**O. Tax Status of the CREBs.** The Borrower shall utilize the Project or cause it to be utilized as provided in the Project Agreement until the CREB Maturity Date. No use will be made of the proceeds of the CREBs other than as set forth herein and in the Project Agreement and no changes will be made in the Project or in the operation or beneficial use thereof (including, without limiting the generality of the foregoing, the use of the Project by the Borrower or any related person) without an opinion of Bond Counsel that such a use or change will not adversely affect the eligibility of the CREBs to qualify for a tax credit for the owner thereof, for federal income tax purposes. The Borrower agrees and warrants that it will not take or authorize or permit any action to be taken and has not taken or authorized or permitted any action to be taken and will not fail to take any action to comply with the Project Agreement which adversely affects the eligibility of the CREBs to qualify for a tax credit for the owner thereof, for federal income tax purposes. This agreement and warranty shall survive the termination of this Agreement.

**P. Completion Certificate.** The Borrower shall submit to CFC within 30 days after the completion of the Project, a Completion Certificate signed by an Authorized Officer of the Borrower.

**Q. Termination Certificate.** If the Borrower determines that the Project will not be completed as described in Section 5.01.P above, then the Borrower shall submit to CFC a Termination Certificate, within 30 days of a determination that:

(i) no further acquisition, construction or installation will occur with respect to the Project; and

(ii) the Borrower does not intend to make any further Advances.

**R. Other Information.** The Borrower shall furnish such other information as CFC may reasonably require relating to the Project.

**Section 5.02 Negative Covenants.** The Borrower covenants and agrees with CFC that until payment in full of the Note and performance of all obligations of the Borrower hereunder, the Borrower will not, directly or indirectly, without CFC's prior written consent:

**A. Limitations on Mergers.** Consolidate with, merge, or sell all or substantially all of its business or assets, or enter into an agreement for such consolidation, merger or sale, to another entity or person unless such action is either approved, as is evidenced by the prior written consent of CFC, or the purchaser, successor or resulting corporation is or becomes a member in good standing of CFC and assumes the due and punctual payment of the Note and the due and punctual performance of the covenants contained in the Mortgage and this Agreement.

**B. Limitations on Sale, Lease or Transfer of Capital Assets; Application of Proceeds.** Sell, lease or transfer (or enter into an agreement to sell, lease or transfer) any capital asset, except in accordance with this Section 5.02.B. If no Event of Default (and no event which with notice or lapse of time and notice would become an Event of Default) shall have occurred and be continuing, the Borrower may, without the prior written consent of CFC, sell, lease or transfer (or enter into an agreement to sell, lease or transfer) any capital asset in exchange for fair market value consideration paid to the Borrower if the value of such capital asset is less than five percent (5%) of Total Utility Plant and the aggregate value of capital assets sold, leased or transferred in any 12-month period is less than ten percent (10%) of Total Utility Plant.

**C. Limitation on Dividends, Patronage Refunds and Other Distributions.**

(i) Make Distributions in any calendar year if, after giving effect to the Distribution, the total Equity of the Borrower will be less than twenty percent (20%) of its Total Assets.

(ii) If, after giving effect to the Distribution, the total Equity of the Borrower will be less than twenty percent (20%) of its Total Assets, then the Borrower may nevertheless make Distributions of up to thirty percent (30%) of its total margins for the preceding calendar year.

(iii) Notwithstanding anything to the contrary in subparagraphs (i) and (ii) above, the Borrower shall not make any Distribution without the prior written consent of CFC if an Event of Default under this Agreement has occurred and is continuing.

**D. Limitations on Loans, Investments and Other Obligations.**

(i) (a) Purchase, or make any commitment to purchase, any stock, bonds, notes, debentures, or other securities or obligations of or beneficial interests in, (b) make, or enter into a commitment to make, any other investment, monetary or otherwise, in, (c) make, or enter into a commitment to make, any loan to, or (d) guarantee, assume, or otherwise become liable for, or enter into a commitment to guarantee, assume, or otherwise become liable for, any obligation of any Person if, after giving effect to such purchase, investment, loan, guarantee or commitment, the aggregate amount thereof would exceed the greater of fifteen percent (15%) of Total Utility Plant or fifty percent (50%) of Equity.

(ii) The following shall not be included in the limitation of purchases, investments, loans and guarantees in (i) above: (a) bonds, notes, debentures, stock, or other securities or obligations issued by or guaranteed by the United States or any agency or instrumentality thereof; (b) bonds, notes, debentures, stock, commercial paper, subordinated capital certificates, or any other security or obligation issued by CFC or by institutions whose senior unsecured debt obligations are rated by at least two nationally recognized rating organizations in either of their two highest categories; (c) investments incidental to loans made by CFC; (d) any deposit that is fully insured by the United States; (e) loans and grants made by any Governmental Authority to the Borrower under any rural economic development program, but only to the extent that such loans and grants are non-recourse to the Borrower; and (f) unretired patronage capital allocated to the Borrower by CFC, a cooperative from which the Borrower purchases electric power, or a statewide cooperative association of which Borrower is a member.

(iii) In no event may the Borrower take any action pursuant to subsection (i) if an Event of Default under this Agreement has occurred and is continuing,

**E. Organizational Change.** Change its type of organization or other legal structure, except as permitted by Section 5.02.A. hereof, in which case the Borrower shall provide at least 30 days prior written notice to CFC together with all documentation reflecting such change as CFC may reasonably require.

**F. Notice of Change in Borrower Information.** Change its (i) state of incorporation, (ii) legal name, (iii) mailing address, or (iv) organizational identification number, if it has one, unless the Borrower provides written notice to CFC at least thirty (30) days prior to the effective date of any such change together with all documentation reflecting any such change as CFC may reasonably require.

## ARTICLE VI

## EVENTS OF DEFAULT

**Section 6.01** The following shall be "Events of Default" under this Agreement:

**A. Representations and Warranties.** Any representation or warranty made by the Borrower herein, or in any of the other Loan Documents, or in any certificate or financial statement furnished to CFC hereunder or under any of the other Loan Documents shall prove to be false or misleading in any material respect.

**B. Payment.** The Borrower shall fail to pay (whether upon stated maturity, by acceleration, or otherwise) any principal, interest, premium (if any) or other amount payable under the Note and the Loan Documents within five (5) Business Days after the due date thereof.

**C. Other Covenants.**

**(i) No Grace Period.** Failure of the Borrower to observe or perform any covenant or agreement contained in the Project Agreement or in Sections 5.01.A, 5.01.B, 5.01.D, 5.01.E, 5.01.G, 5.01.I, 5.01.N, 5.01.O and 5.02 of this Agreement.

**(ii) Thirty Day Grace Period.** Failure of the Borrower to observe or perform any other covenant or agreement contained in this Agreement or any of the other Loan Documents, which shall remain unremedied for thirty (30) calendar days after written notice thereof shall have been given to the Borrower by CFC.

**D. Legal Existence, Permits and Licenses.** The Borrower shall forfeit or otherwise be deprived of (i) its authority to conduct business in the jurisdiction in which it is organized or in any other jurisdiction where such authority is required in order for the Borrower to conduct its business in such jurisdiction or (ii) permits, easements, consents or licenses required to carry on any material portion of its business.

**E. Other CFC Obligations.** The Borrower shall be in breach or default of any Obligation, which breach or default continues uncured beyond the expiration of any applicable grace period.

**F. Other Obligations.** The Borrower shall (i) fail to make any payment of any principal, premium or any other amount due or interest on any indebtedness with parties other than CFC which shall remain unpaid beyond the expiration of any applicable grace period, or (ii) be in breach or default with respect to any other term of any evidence of any other indebtedness with parties other than CFC or of any loan agreement, mortgage or other agreement relating thereto which breach or default continues uncured beyond the expiration of any applicable grace period, if the effect of such failure, default or breach is to cause the holder or holders of that indebtedness to cause that indebtedness to become or be declared due prior to its stated maturity (upon the giving or receiving of notice, lapse of time, both or otherwise).

**G. Involuntary Bankruptcy.** An involuntary case or other proceeding shall be commenced against the Borrower seeking liquidation, reorganization or other relief with respect to it or its debts under bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property and such involuntary case or other proceeding shall continue without dismissal or

stay for a period of sixty (60) days; or an order for relief shall be entered against the Borrower under the federal bankruptcy laws or applicable state law as now or hereafter in effect.

**H. Insolvency.** The Borrower shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall admit in writing its inability to, or be generally unable to, pay its debts as they become due, or shall take any action to authorize any of the foregoing.

**I. Dissolution or Liquidation.** Other than as provided in subsection H. above, the dissolution or liquidation of the Borrower, or failure by the Borrower promptly to forestall or remove any execution, garnishment or attachment of such consequence as will impair its ability to continue its business or fulfill its obligations and such execution, garnishment or attachment shall not be vacated within sixty (60) days. The term "dissolution or liquidation of the Borrower", as used in this subsection, shall not be construed to include the cessation of the corporate existence of the Borrower resulting either from a merger or consolidation of the Borrower into or with another corporation following a transfer of all or substantially all its assets as an entirety, under the conditions set forth in Section 5.02.A.

**J. Material Adverse Change.** Any material adverse change in the business or condition, financial or otherwise, of the Borrower.

**K. Monetary Judgment.** The Borrower shall suffer any money judgment not covered by insurance, writ or warrant of attachment or similar process involving an amount in excess of $100,000 and shall not discharge, vacate, bond or stay the same within a period of sixty (60) days.

**L. Nonmonetary Judgment.** One or more nonmonetary judgments or orders (including, without limitation, injunctions, writs or warrants of attachment, garnishment, execution, distraint, replevin or similar process) shall be rendered against the Borrower that, either individually or in the aggregate, could reasonably be expected to have a material adverse effect upon the business, operations, prospects, assets, liabilities or financial condition of the Borrower.

## ARTICLE VII

## REMEDIES

**Section 7.01** If any of the Events of Default listed in Section 6 hereof shall occur after the date of this Agreement and shall not have been remedied within the applicable grace periods specified therein, then CFC may:

(i) Cease making Advances hereunder;

(ii) Declare all unpaid principal outstanding on the Note, all accrued and unpaid interest thereon, and all other Obligations to be immediately due and payable and the same shall thereupon become immediately due and payable without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived;

(iii) Exercise rights of setoff or recoupment and apply any and all amounts held, or hereby held, by CFC or owed to the Borrower or for the credit or account of the Borrower against any and all of the Obligations of the Borrower now or hereafter existing hereunder or under the Note, including, but not limited to, patronage capital allocations and retirements, money due to Borrower from equity certificates purchased from CFC, and any membership or other fees that would otherwise be returned to Borrower but excluding any LCTCs purchased by the Borrower pursuant to this Agreement. The rights of CFC under this section are in addition to any other rights and remedies (including other rights of setoff or recoupment) which CFC may have. The Borrower waives all rights of setoff, deduction, recoupment or counterclaim;

(iv) Pursue all rights and remedies available to CFC that are contemplated by the Mortgage and the other Loan Documents in the manner, upon the conditions, and with the effect provided in the Mortgage and the other Loan Documents, including, but not limited to, a suit for specific performance, injunctive relief or damages;

(v) Pursue any other rights and remedies available to CFC at law or in equity.

Nothing herein shall limit the right of CFC to pursue all rights and remedies available to a creditor following the occurrence of an Event of Default. Each right, power and remedy of CFC shall be cumulative and concurrent, and recourse to one or more rights or remedies shall not constitute a waiver of any other right, power or remedy.

## ARTICLE VIII

## MISCELLANEOUS

**Section 8.01 Notices.** All notices, requests and other communications provided for herein including, without limitation, any modifications of, or waivers, requests or consents under, this Agreement shall be given or made in writing (including, without limitation, by telecopy) and delivered to the intended recipient at the "Address for Notices" specified below; or, as to any party, at such other address as shall be designated by such party in a notice to each other party. All such communications shall be deemed to have been duly given (i) when personally delivered including, without limitation, by overnight mail or courier service, (ii) in the case of notice by United States mail, certified or registered, postage prepaid, return receipt requested, upon receipt thereof, or (iii) in the case of notice by telecopy, upon transmission thereof, provided such transmission is promptly confirmed by either of the methods set forth in clauses (i) or (ii) above in each case given or addressed as provided for herein. The Address for Notices of each of the respective parties is as follows:

National Rural Utilities Cooperative Finance Corporation
2201 Cooperative Way
Herndon, Virginia 20171-3025
Attention: Senior Vice President – Member Services
Fax # 703-709-6776

The Borrower:

The address set forth in
Schedule 1 hereto

**Section 8.02 Expenses.** Borrower shall reimburse CFC for any reasonable costs and out-of-pocket expenses paid or incurred by CFC (including, without limitation, reasonable fees and expenses of outside attorneys, paralegals and consultants) for all actions CFC takes, (a) to enforce the payment of any Obligation, to effect collection of any Mortgaged Property, or in preparation for such enforcement or collection, (b) to institute, maintain, preserve, enforce and foreclose on CFC's security interest in or Lien on any of the Mortgaged Property, whether through judicial proceedings or otherwise, (c) to restructure any of the Obligations, (d) to review, approve or grant any consents or waivers hereunder, (e) to prepare, negotiate, execute, deliver, review, amend or modify this Agreement, (f) to prepare, negotiate, execute, deliver, review, amend or modify any other agreements, documents and instruments deemed necessary or appropriate by CFC in connection with any of the foregoing, and (g) to obtain any opinions required to be furnished upon a Determination of Tax Credit Ineligibility and an extraordinary prepayment as set forth in Section 3.04 hereof or a rescission of excess money as set forth in Section 3.05 or a cancellation of excess moneys as set forth in Section 3.06.

The amount of all such expenses identified in this Section 8.02 shall be secured by the Mortgage and shall be payable upon demand, and if not paid, shall accrue interest at the Default Rate.

**Section 8.03 Late Payments.** If payment of any amount due hereunder is not received at CFC's office in Herndon, Virginia, or such other location as CFC may designate to the Borrower within five (5) Business Days after the due date thereof, the Borrower will pay to CFC, in addition to all other amounts due under the terms of the Loan Documents, any late payment charge as may be fixed by CFC from time to time pursuant to its policies of general application as in effect from time to time.

**Section 8.04. Non-Business Day Payments.** If any payment to be made by the Borrower hereunder shall become due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall be included in computing any interest in respect of such payment.

**Section 8.05 Filing Fees.** To the extent permitted by law, the Borrower agrees to pay all expenses of CFC (including the reasonable fees and expenses of its counsel) in connection with the filing, registration, recordation or perfection of the Mortgage and any other security instruments as may be required by CFC in connection with this Agreement, including, without limitation, all documentary stamps, recordation and transfer taxes and other costs and taxes incident to execution, filing, registration or recordation of any document or instrument in connection herewith. The Borrower agrees to save harmless and indemnify CFC from and against any liability resulting from the failure to pay any required documentary stamps, recordation and transfer taxes, recording costs, or any other expenses incurred by CFC in connection with this Agreement. The provisions of this subsection shall survive the execution and delivery of this Agreement and the payment of all other amounts due under the Loan Documents.

**Section 8.06 Waiver; Modification.** No failure on the part of CFC to exercise, and no delay in exercising, any right or power hereunder or under the other Loan Documents shall operate as a waiver thereof, nor shall any single or partial exercise by CFC of any right hereunder, or any abandonment or discontinuance of steps to enforce such right or power, preclude any other or further exercise thereof or the exercise of any other right or power. No modification or waiver of any provision of this Agreement, the Note or the other Loan Documents and no consent to any departure by the Borrower therefrom shall in any event be effective unless the same shall be in writing by the

party granting such modification, waiver or consent, and then such modification, waiver or consent shall be effective only in the specific instance and for the purpose for which given.

**SECTION 8.07 GOVERNING LAW; SUBMISSION TO JURISDICTION; WAIVER OF JURY TRIAL.**

(A) THE PERFORMANCE AND CONSTRUCTION OF THIS AGREEMENT AND THE NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE COMMONWEALTH OF VIRGINIA.

(B) THE BORROWER HEREBY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF THE UNITED STATES COURTS LOCATED IN VIRGINIA AND OF ANY STATE COURT SO LOCATED FOR PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. THE BORROWER IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTIONS THAT IT MAY NOW OR HEREAFTER HAVE TO THE ESTABLISHING OF THE VENUE OF ANY SUCH PROCEEDINGS BROUGHT IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

(C) THE BORROWER AND CFC EACH HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

**SECTION 8.08 INDEMNIFICATION.** THE BORROWER HEREBY INDEMNIFIES AND AGREES TO HOLD HARMLESS, AND DEFEND CFC AND ITS MEMBERS, DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, ATTORNEYS AND REPRESENTATIVES (EACH AN "INDEMNITEE") FOR, FROM, AND AGAINST ALL CLAIMS, DAMAGES, LOSSES, LIABILITIES, COSTS, AND EXPENSES (INCLUDING, WITHOUT LIMITATION, COSTS AND EXPENSES OF LITIGATION AND REASONABLE ATTORNEYS' FEES) ARISING FROM ANY CLAIM OR DEMAND IN RESPECT OF THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS, THE MORTGAGED PROPERTY, OR THE TRANSACTIONS DESCRIBED IN THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS AND ARISING AT ANY TIME, WHETHER BEFORE OR AFTER PAYMENT AND PERFORMANCE OF ALL OBLIGATIONS UNDER THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS IN FULL, EXCEPTING ANY SUCH MATTERS ARISING SOLELY FROM THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF CFC OR ANY INDEMNITEE INCLUDING WITHOUT LIMITATION ANY DETERMINATION MADE OR OTHER ACTION TAKEN BY CFC PURSUANT TO SECTIONS 3.04, 3.05 and 3.06 OF THIS AGREEMENT. NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN SECTION 8.10 HEREOF, THE OBLIGATIONS IMPOSED UPON THE BORROWER BY THIS SECTION SHALL SURVIVE THE REPAYMENT OF THE NOTE, THE TERMINATION OF THIS AGREEMENT AND THE TERMINATION OR RELEASE OF THE LIEN OF THE MORTGAGE.

**Section 8.09 Complete Agreement.** This Agreement, together with the schedules to this Agreement, the Note and the other Loan Documents, and the other agreements and matters referred to herein or by their terms referring hereto, is intended by the parties as a final expression of their agreement and is intended as a complete statement of the terms and conditions of their agreement. In the event of any conflict in the terms and provisions of this Agreement and any other Loan Documents, the terms and provisions of this Agreement shall control.

**Section 8.10 Survival; Successors and Assigns.** All covenants, agreements, representations and warranties of the Borrower which are contained in this Agreement shall survive the execution and delivery to CFC of the Loan Documents and the making of the Loan hereunder and shall continue in full force and effect until all of the obligations under the Loan Documents have been paid in full. All covenants, agreements, representations and warranties of the Borrower which are contained in this Agreement shall inure to the benefit of the successors and assigns of CFC. The Borrower shall not have the right to assign its rights or obligations under this Agreement without the prior written consent of CFC, except as provided in Section 5.02.A hereof.

**Section 8.11 Use of Terms.** The use of the singular herein shall also refer to the plural, and vice versa.

**Section 8.12 Headings.** The headings and sub-headings contained in this Agreement are intended to be used for convenience only and do not constitute part of this Agreement.

**Section 8.13 Severability.** If any term, provision or condition, or any part thereof, of this Agreement, the Note or the other Loan Documents shall for any reason be found or held invalid or unenforceable by any governmental agency or court of competent jurisdiction, such invalidity or unenforceability shall not affect the remainder of such term, provision or condition nor any other term, provision or condition, and this Agreement, the Note and the other Loan Documents shall survive and be construed as if such invalid or unenforceable term, provision or condition had not been contained therein.

**Section 8.14 Binding Effect.** This Agreement shall become effective when it shall have been executed by both the Borrower and CFC and thereafter shall be binding upon and inure to the benefit of the Borrower and CFC and their respective successors and assigns.

**Section 8.15 Counterparts.** This Agreement may be executed in one or more counterparts, each of which will be deemed an original and all of which together will constitute one and the same document. Signature pages may be detached from the counterparts and attached to a single copy of this Agreement to physically form one document.

**Section 8.16 Disclosure.** This Agreement and any other Loan Document may be shared by CFC with such Persons as shall be required in order to facilitate the issuance of the CREBs, including, but not limited to, its attorneys, underwriters and investors in the CREBs.

**Section 8.17 Schedule 1.** Schedule 1 attached hereto is an integral part of this Agreement.

**IN WITNESS WHEREOF,** the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

SULPHUR SPRINGS VALLEY
ELECTRIC COOPERATIVE, INC.

(SEAL)

By: Gene Manning

Title: President

Attest: _____
~~Secretary~~

CREDEN W. HUBER
CHIEF EXECUTIVE OFFICER

NATIONAL RURAL UTILITIES
COOPERATIVE FINANCE CORPORATION

(SEAL)

By: Marianne Dusold
Assistant Secretary-Treasurer

**MARIANNE L DUSOLD**

Attest: _____
Assistant Secretary-Treasurer

**CRAIG COLANTONI**

## SCHEDULE 1

1. The purpose of this loan is to finance (i) the reimbursement of the cost of the Project of the Borrower, including any reasonable costs and expenses incurred by the Borrower in connection with financing the Project, as described and permitted by the terms of the Project Agreement and (ii) a portion of CFC's costs in issuing the CREBs as set forth in Section 3.02.A.

2. The Project of the Borrower being financed by the Loan (funded by proceeds of the CREBs) constitutes the following clean renewable energy facilities:

   Empire Elementary District Photovoltaic Solar Automobile Parking Shade Structure

   This project will place a photovoltaic module that will produce 23 kW of electricity in the shade structure at the Empire Elementary School. The PV structure will provide electricity to the school with excess power flowing to the Borrower's system.

3. Subject to the terms of this Agreement, CFC has agreed to loan to the Borrower from proceeds of the CREBs, an amount not to exceed $280,000.00 (the "CFC Commitment").

4. Draw Period shall mean the period beginning on the Closing Date and ending on the date that is five (5) years thereafter.

5. The Borrower shall not purchase the LCTCs or any portion thereof with funds from the Loan. The Borrower shall use its own funds or funds borrowed under another credit facility to purchase such LCTCs, subject to the CFC policies regarding LCTCs set forth in the following paragraph.

   **CFC Policies Regarding LCTCs:** (i) Any solvent Member of CFC with an outstanding LCTC purchased in connection with a loan from the proceeds of Securities may borrow the outstanding amount of the LCTC from CFC without a further credit review, for a term equal to or shorter than the maturity of the LCTC at a rate equal to the comparable rate charged by CFC for similarly classified loans; and (ii) any Member of CFC with an outstanding LCTC purchased in connection with a loan from the proceeds of Securities may sell such LCTC to another Member of CFC for consideration.

6. The Mortgage shall mean the Restated Mortgage and Security Agreement, dated as of December 6, 2007, between the Borrower and CFC, as it may have been supplemented, amended, consolidated, or restated from time to time.

7. The Note executed pursuant hereto is as follows:

| LOAN NUMBER | AMOUNT |
|---|---|
| AZ014-A-9039-CB001 | $280,000.00 |

8. The Subsidiaries of the Borrower referred to in Section 2.01.B. are: None

9. The date of the Borrower's balance sheet referred to in Section 2.01.H is June 30, 2006.

10. The Borrower's exact legal name is: Sulphur Springs Valley Electric Cooperative, Inc.

11. The Borrower's organizational type is: Corporation

12. The Borrower is organized under the laws of the state of: Arizona

13. The Borrower's organizational identification number is: 0038220-2

14. The place of business or, if more than one, the chief executive office of the Borrower referred to in Section 2.01.I is 311 East Wilcox, Sierra Vista, Arizona 85635.

15. The Governmental Authority referred to in Section 2.01.J. is: Arizona Corporation Commission

16. The address for notices to the Borrower referred to in Section 8.01 is 311 East Wilcox, Sierra Vista, Arizona 85635, Attention: General Manager, Fax: (520) 384-5223.

## Exhibit A - Funds Requisition Statement

Borrower Name & ID: Sulphur Springs Valley Electric Cooperative, Inc. (AZ014)
Loan Number: AZ014-A-9039-CB001
Loan Agreement and Project Agreement with CFC dated:
CREBs Series: 2008A
CFC CREBs Application #: 9
Name of Project: Empire Elementary District Photovoltaic Solar Automobile Parking Shade Structure
Funds Requisition Statement No.:

**Amount Requested:**
**Date Of Advance:**

**Disposition of Funds (wiring instructions):**

### Certification

Acting on behalf of the Borrower, I hereby certify that as of the date below: (1) I am duly authorized to make this certification and to request funds on the terms specified herein; (2) the Borrower has met all of the conditions contained in the Loan Agreement and the Project Agreement listed above governing the terms of this Advance that the Borrower is required to meet prior to an Advance of funds; (3) all of the representations and warranties contained in said Loan Agreement and Project Agreement are true and will continue to be true upon use of the funds as hereby requested; (4) no Event of Default, under the Loan Agreement or the Borrower's Mortgage, has occurred and is continuing; (5) I know of no other event that has occurred which, with the lapse of time and/or notification to CFC of such event, or after giving effect to this Advance, would become an Event of Default under the Loan Agreement or the Borrower's Mortgage; (6) the funds requested herein will be used only as a reimbursement for the purposes specified in the Loan Agreement and the Project Agreement; (7) the costs to be reimbursed by the funds requested herein are capital expenditures and have not previously been reimbursed under a previous Funds Requisition Statement; (8) the Borrower has secured sufficient funds to complete the Project; (9) any necessary permits and approvals required for the Project at this point have been obtained; (10) the Borrower is maintaining a file containing true and correct copies of invoices or bills of sale covering all items for which payment is sought by this request; (11) such costs have been incurred and paid by the Borrower in connection with the Project; (12) the Borrower is not using the funds requested hereby to make any payments of principal or interest due under the Loan Agreement; (13) no expenditure which is being reimbursed by the funds requested hereby was paid more than eighteen months after the later of (i) the date the expenditure is paid or (ii) the date the Project is placed in service, but in no event later than three years after the date the original expenditure was paid; and (14) set forth below is a table listing all of the major components of the Project, how much is being requested in this Funds Requisition Statement as an advance for certain components, how much has been advanced on each component to date, the percentage of each component that is completed

to date, and the purpose of the advance(s) being requested by this Funds Requisition Statement.

I hereby authorize CFC, for and on behalf of the Borrower, to forward this Funds Requisition Statement to the Trustee for disbursement of the Advance from the Project Account relating to the above Loan to the Borrower on the following terms, and hereby acknowledge and agree that such terms shall be binding upon Borrower under the provisions of the Loan Agreement governing this Advance:

| Project Component | Amount Expended to Date by Borrower | Amount Advanced to Date | Advance Amount Requested Herein | Percentage Complete |
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| Total | | | | |

Certified By:

_____ _____ _____

Signature Date Title of Authorized Officer

**PLEASE FAX TO 703-709-6776 ATTN: _____, Associate Vice President**

APPROVED:

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION

By: _____
Title: _____
Date: _____

**EXHIBIT B**

**BRING-DOWN CERTIFICATE**
**OF**
**BORROWER**

The undersigned, _____, duly qualified officers of SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (the *"Borrower"*), an Arizona corporation, hereby certify as follows:

1. The following documents have been duly executed, and delivered or accepted in the name and on behalf of the Borrower by the authorized officer or officers of the Borrower pursuant to, and in full compliance with, authority granted by the Board of Trustees/Directors of the Borrower:

| DOCUMENT | DATE | OTHER PARTY OR PARTIES |
|---|---|---|
| Loan Agreement (the *"Agreement"*) | _____, 200_ | National Rural Utilities Cooperative Finance Corporation (*"CFC"*) |
| Project Agreement (the *"Project Agreement"*) | _____, 200_ | |
| Note (the *"Note"*) | _____, 200_ | |

2. Each of the representations and warranties of the Borrower in the Loan Agreement and the Project Agreement are true and correct on and as of the date hereof (the *"Closing Date"*), and the Borrower has complied with all agreements and satisfied all conditions on its part to be observed or satisfied thereunder at or prior to the Closing Date.

IN WITNESS WHEREOF, the undersigned have hereunto set their signatures this ____ day of _____, 2008.

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

By _____
Title:

By _____
Title:

**EXHIBIT C**

**COMPLETION CERTIFICATE**
**OF**
**BORROWER**

Pursuant to the Loan Agreement dated as of _____ by and between SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (the "Borrower") and National Rural Utilities Cooperative Finance Corporation ("CFC") relating to CFC Loan Number AZ014-A-9039-CB001 (the "Loan Agreement"), the undersigned, _____, duly qualified officer of the Borrower, hereby certifies as follows:

(i) On [date of completion] all portions of the Project (as defined in the Loan Agreement) have been fully completed substantially in accordance with any plans and specifications therefore, as then amended; and

(ii) Amount advanced on the Loan (as defined in the Loan Agreement) and the use of the property financed, refinanced or reimbursed therefrom will not cause any of the representations or certifications contained in the Project Agreement (as defined in the Loan Agreement) to be untrue or result in a violation of any covenant in the Project Agreement.

IN WITNESS WHEREOF, the undersigned have hereunto set his/her signature this ____ day of _____, 20____.

SULPHUR SPRINGS VALLEY ELECTRIC
COOPERATIVE, INC.

By _____
Title:

**EXHIBIT D**

**TERMINATION CERTIFICATE**
**OF**
**BORROWER**

Pursuant to the Loan Agreement dated as of _____ by and between SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (the "Borrower") and National Rural Utilities Cooperative Finance Corporation ("CFC") relating to CFC Loan Number AZ014-A-9039-CB001 (the "Loan Agreement"), the undersigned, _____, duly qualified officer of the Borrower, hereby certifies as follows:

(i) all portions of the Project (as defined in the Loan Agreement) have not been fully completed substantially in accordance with any plans and specifications therefor, as then amended;

(ii) no further acquisition, construction or installation will occur with respect to the Project (as defined in the Loan Agreement); and

(iii) the Borrower does not intend to request any further Advances (as defined in the Loan Agreement) on the Loan (as defined in the Loan Agreement).

IN WITNESS WHEREOF, the undersigned have hereunto set his/her signature this ____ day of _____, 20____.

SULPHUR SPRINGS VALLEY ELECTRIC
COOPERATIVE, INC.

By _____
Title:

**SECURED PROMISSORY NOTE**

$840,000.00 dated as of 12/21/2007

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC., an Arizona corporation (the "Borrower"), for value received, hereby promises to pay, without setoff, deduction, recoupment or counterclaim, to the order of NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION (the "Payee"), at its office in Herndon, Virginia office or such other location at its office in Herndon, Virginia or such other location as the Payee may designate to the Borrower, in lawful money of the United States, the principal sum of EIGHT HUNDRED FORTY THOUSAND AND 00/100 DOLLARS ($840,000.00), or such lesser sum of the aggregate unpaid principal amount of all advances made by the Payee pursuant to that certain Loan Agreement dated as of even date herewith between the Borrower and the Payee, as it may be amended from time to time (herein called the "Loan Agreement"), and to pay interest on all amounts remaining unpaid hereunder from the date of each advance in like money, at said office, at the rate and in amounts and payable on the dates provided in the Loan Agreement together with any other amount payable under the Loan Agreement. If not sooner paid, any balance of the principal amount and interest accrued thereon shall be due and payable on the Maturity Date.

This Note is secured under a Restated Mortgage and Security Agreement, dated of December 6, 2007 between the Borrower and the Payee, as it may have been or shall be supplemented, amended, consolidated or restated from time to time ("Mortgage"). This Note is one of the Notes referred to in, and has been executed and delivered pursuant to, the Loan Agreement.

The principal hereof and interest accrued thereon and any other amount due under the Loan Agreement may be declared to be forthwith due and payable in the manner, upon the conditions, and with the effect provided in the Mortgage or the Loan Agreement.

The Borrower waives demand, presentment for payment, notice of dishonor, protest, notice of protest, and notice of non-payment of this Note.

IN WITNESS WHEREOF the Borrower has caused this Note to be signed in its corporate name and its corporate seal to be hereunto affixed and to be attested by its duly authorized officers, all as of the day and year first above written.

SULPHUR SPRINGS VALLEY
ELECTRIC COOPERATIVE, INC.

(SEAL)

By: Gene Manning

Title: President

Attest: _____
~~Secretary~~

CREDEN W. HUBER
CHIEF EXECUTIVE OFFICER

Loan No. AZ014-A-9040-CB001

CFC NOTE
AZ014-A-9040-CB001 (JABLONJ)
116030-2

**PROJECT AGREEMENT**

**OF**

**SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (THE *"BORROWER"*)**

DATED: as of 12/21/2007

The undersigned is a duly qualified officer of the Borrower named above and, as such officer, is familiar with (i) the properties, affairs and records of the Borrower, (ii) the issuance of the Securities (as hereinafter defined) and the use of the proceeds thereof as it relates to the Borrower and (iii) the Project, as hereinafter defined.

In connection with the issuance of the Clean Renewable Energy Bonds (Cooperative Renewable Energy Projects) Series 2008A (the *"Securities"*), being issued by the National Rural Utilities Cooperative Finance Corporation (the *"Issuer"*), the undersigned hereby certifies and covenants regarding the use of the proceeds of the Securities advanced to the Borrower, as follows:

1. General.

1.1 This Project Agreement is made pursuant to Section 54 of the Internal Revenue Code of 1986, as amended (the *"Code"*), and any United States Treasury regulations and other guidance thereunder to make the certifications required by Section 54 of the Code and any United Stares Treasury regulations and other guidance thereunder and to establish the reasonable expectations of the Borrower with respect to the amount and use of amounts to be advanced to the Borrower pursuant to the Loan Agreement dated as of even date herewith between the Issuer and the Borrower (the *"Loan Agreement"*). Capitalized terms used herein are defined where they first appear or are defined in *Exhibit A* attached hereto.

1.2 This Project Agreement is based on facts and estimates in existence on the date hereof and the continued veracity of these facts and estimates as of the date that the Securities are issued (the *"Closing"*) will be confirmed by the Borrower on the date of Closing, and on the basis of such facts and estimates, the Borrower expects that the events described herein will occur. To the best of the undersigned's knowledge, information, and belief, the expectations contained in this Project Agreement are reasonable.

1.3 The Borrower is a Qualified Borrower, as defined in *Exhibit A,* and is responsible for the acquiring/constructing/equipping of the Project (defined below). The undersigned has reviewed this Project Agreement, as well as the provisions of Section 54 of the Code and any United States Treasury regulations and other guidance thereunder, with its own legal counsel and understands and is familiar with this Project Agreement and the provisions of Section 54 and any United States Treasury regulations and other guidance thereunder. The Borrower will

comply in all respects with the provisions of Section 54 and any United States Treasury regulations and other guidance thereunder.

1.4 The Borrower agrees to keep and retain or cause to be kept and retained sufficient records to demonstrate compliance with the covenants in this Project Agreement. Such records shall include, but are not limited to, basic records relating to the issuance of the Securities (including this Project Agreement and the inducement resolution as described in Section 3.3 hereof); documentation evidencing the expenditure of amounts advanced to the Borrower pursuant to the Loan Agreement; documentation evidencing the use of property financed with amounts advanced to the Borrower pursuant to the Loan Agreement; and documentation evidencing all sources of payment or security maintained by the Borrower for amounts advanced to the Borrower pursuant to the Loan Agreement. Such records shall be kept until the date three (3) years after the CREB Maturity Date.

1.5 Neither the Borrower nor any Related Person (as defined in Exhibit A) to the Borrower will purchase any Securities.

2. Qualified Project.

2.1 The Loan Agreement requires the amounts advanced thereunder to be used for facilities to be owned by the Borrower, described in more detail in Section 2.2 hereof and in *Exhibit B* attached hereto as the "Updated Description of the Project" (the *"Project"*). The Project was originally described in an exhibit to the Application for National Clean Renewable Energy Bond Limitation submitted to the Internal Revenue Service by the Issuer in support of the national clean renewable energy bond allocation received by the Issuer, which "Original Description of the Project" is attached hereto as *Exhibit C.*

2.2 The Project is a Solar Energy Facility (the *"Qualifying Facility"*), as defined in *Exhibit A* and property functionally related and subordinate thereto, as further described in *Exhibit B,* attached hereto.

3. Clean Renewable Energy Bonds Qualification.

3.1 At least 95 percent of the proceeds advanced to the Borrower pursuant to the Loan Agreement will be used by the Borrower for capital expenditures with respect to the Project. None of the proceeds of the Loan (as defined in the Loan Agreement) will be paid to the Issuer, the Borrower or any Related Person to the Issuer or the Borrower, except for amounts paid to the Borrower to reimburse the Borrower for actual and direct expenditures relating to the Project paid by the Borrower to persons other than the Issuer, the Borrower or any Related Person to the Issuer or the Borrower.

3.2 The Borrower has incurred or will, within six months of the Closing Date, incur a substantial binding obligation (not subject to contingencies within the control of the Issuer, the Borrower or any Related Person to either of them) to a third party

to expend at least ten percent of the Loan Amount (*i.e.* the total amount to be advanced to the Borrower pursuant to the Loan Agreement). It is expected that the work of acquiring/constructing/equipping the Project and the expenditure of the Loan Amount will proceed with due diligence through May 12, 2008, at which time it is anticipated that the Loan Amount will have been spent in its entirety. The Borrower acknowledges that, to the extent that less than 95 percent of the Loan Amount is expended by a date five years from the date of issuance of the Securities, the Borrower will be required to prepay its Loan in an amount, and the Issuer will redeem Securities at the end of such five-year period in an amount, necessary to maintain the tax credit with respect to the Securities, unless otherwise permitted by Section 6.5 hereof.

It is expected that all amounts advanced to the Borrower under the Loan Agreement will be spent to pay costs of the Project in accordance with the estimated periodic drawdown schedule contained in *Exhibit D,* attached hereto. The assumptions set forth in this Section 3.2 and on *Exhibit D,* attached hereto, represent the Borrower's best estimate, as of this date, of the periodic drawdown schedule of the Loan Amount.

3.3 The Borrower may use amounts advanced to the Borrower under the Loan Agreement to reimburse itself for expenditures paid prior to the date of issuance of the Securities. The Borrower shall reimburse itself for expenditures paid prior to the date of issuance of the Securities only if such expenditure was paid after the Borrower adopted an inducement resolution, and the expenditure is described in such inducement resolution.

**The Borrower shall use proceeds of the Loan to reimburse itself for expenditures paid prior to the date the Securities were issued only if such reimbursement is made within eighteen months after the later of (i) the date the expenditure is paid or (ii) the date the Project is placed in service, but in no event later than three years after the date the original expenditure was paid.**

Except for any reimbursement allowed under this Section 3.3, no portion of the proceeds advanced to the Borrower will be used to pay for expenditures relating to acquiring existing facilities (as contrasted with costs of enhancements, repair or rehabilitation of existing facilities).

3.4 Neither the Project nor any portion thereof has been, is expected to be, or will be sold or otherwise disposed of, in whole or in part, prior to the last maturity date of the Securities.

3.5 The Borrower has entered into the Loan Agreement of even date hereof under which it is committed to borrow $840,000 from the Issuer of the Securities and the Borrower reasonably expects to borrow and expend the full amount of such commitment.

3.6 At least 75% of the Loan Amount is expected to be used for Construction Purposes.

3.7 The Borrower will not use proceeds of the Loan (i) to pre-pay for goods or services to be received over a period of years prior to the date such goods or services are to be received, or (ii) to pay for or otherwise acquire goods or services from an Affiliated Person, as defined in *Exhibit A*.

3.8 The Borrower shall at all times be a Qualified Borrower.

4. Remedial Action.

4.1 The Borrower agrees to operate the Project as a Qualifying Facility.

The Borrower acknowledges that if property financed with proceeds of the Securities advanced to the Borrower is operated in a manner other than as a Qualifying Facility such operation may constitute a "deliberate action" that may require remedial actions to prevent the tax credit being produced by the Securities from being disallowed.

The Borrower shall promptly contact the Issuer as provided in Section 6.3 hereof if it considers operating property financed with proceeds of the Loan other than as a Qualifying Facility.

4.2 The Borrower acknowledges that if property financed with proceeds of the Loan is sold or otherwise disposed of in a manner contrary to the provisions of Section 3.4 hereof, such sale or disposition may constitute a "deliberate action" that may require remedial actions to prevent the tax credit being produced by the Securities from being disallowed. If the Borrower considers the sale or other disposition of property financed with proceeds of the Loan, it shall promptly contact the Issuer, in the manner set forth in Section 6.3 hereof.

5. Funds and Accounts; Investments.

5.1 After the issuance of the Securities, neither the Borrower nor any Related Person to the Borrower has or will have any property, including cash, securities or any other property held as a passive vehicle for the production of income or for investment purposes, that constitutes:

(i) amounts that have a sufficiently direct nexus to the Securities or to the governmental purpose of the Securities to conclude that the amounts would have been used for that governmental purpose if the Securities were not used or to be used for that governmental purpose (the mere availability or preliminary earmarking of such amounts for a governmental purpose, however, does not itself establish such a sufficient nexus);

(ii) amounts in a debt service fund, redemption fund, reserve fund, replacement fund or any similar fund to the extent reasonably expected to be used directly or indirectly to pay principal of or interest on the Securities or any amounts for which there is provided, directly or indirectly, a reasonable assurance that the amount will be available to pay principal of or interest on the Securities or any credit enhancement or liquidity device with respect to the Securities, even if the Issuer, the Borrower or any Related Person to either of them encounter financial difficulties; or

(iii) any amounts held pursuant to any agreement (such as an agreement to maintain certain levels of types of assets) made for the benefit of the holders of the Securities or any credit enhancement provider, including any liquidity device or negative pledge (*e.g.*, any amount pledged to pay principal of or interest on an issue held under an agreement to maintain the amount at a particular level for the direct or indirect benefit of holders of the Securities or a guarantor of the Securities).

No compensating balance, liquidity account, negative pledge of property held for investment purposes required to be maintained at least at a particular level or similar arrangement exists with respect to, in any way, the Securities or any credit enhancement or liquidity device related to the Securities.

5.2 During the acquiring/constructing/equipping of the Project, the Borrower will only draw down amounts from the Issuer for capital expenditures already paid by the Borrower.

5.3 Neither the Borrower nor any Related Person to the Borrower will enter into any hedge (*e.g.*, an interest rate swap, interest rate cap, futures contract, forward contract or an option) with respect to the Loan or the Securities.

5.4 All property subject to the Mortgage is and will be used by the Borrower in the conduct of its trade or business. The Borrower reasonably expects to repay the Loan from current operating revenues. The Mortgage does not require that cash, securities, obligations, annuity contracts or other property held principally as a passive vehicle for the production of income be maintained, individually or collectively, at any particular level.

6. Miscellaneous.

6.1 This Project Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia.

6.2 Prior to the date 15 days before the Securities were sold, neither the Borrower nor any Related Person to the Borrower has sold or delivered any obligations that are reasonably expected to be paid out of substantially the same source of funds as the Securities. Neither the Borrower nor any Related Person to the Borrower will sell

or deliver within 15 days after the date hereof any obligations that are reasonably expected to be paid out of substantially the same source of funds as the Securities.

6.3 All notices provided for herein shall be given or made in writing (including, without limitation, by telecopy) and delivered to the Issuer at the "Address for Notices" specified below. All such communications shall be deemed to have been duly given (i) when personally delivered including, without limitation, by overnight mail or courier service, (ii) in the case of notice by United States mail, certified or registered, postage prepaid, return receipt requested, upon receipt thereof, or (iii) in the case of notice by telecopy, upon transmission thereof, provided such transmission is promptly confirmed by either of the methods set forth in clauses (i) or (ii) above in each case given or addressed as provided for herein. The Address for Notices of the Issuer is as follows:

National Rural Utilities Cooperative Finance Corporation
2201 Cooperative Way
Herndon, Virginia 20171-3025
Attention: Senior Vice President – Member Services
Fax #703-709-6776

6.4 The Borrower represents that it has not been contacted by the Internal Revenue Service or any issuer of bonds, the proceeds of which were loaned to the Borrower regarding any examination of any tax exempt bonds issued for the benefit of the Borrower. To the best of the knowledge of the Borrower, no such obligations of the Borrower are currently under examination by the Internal Revenue Service.

6.5 Any restriction or covenant contained herein need not be observed or may be changed if such nonobservance or change will not result in the loss of any tax credit under Section 54 of the Code for the purpose of federal income taxation to which the Securities is otherwise entitled and the Borrower receives an opinion of Bond Counsel to such effect and the Issuer agrees to such nonobservance or change.

6.6 If any clause, provision or section of this Project Agreement is ruled invalid by any court of competent jurisdiction, the invalidity of such clause, provision or section shall not affect any of the remaining clauses, sections or provisions hereof.

6.7 The terms, provisions, covenants and conditions of this Project Agreement shall bind and inure to the benefit of the respective successors and assigns of the Issuer and the Borrower.

6.8 This Project Agreement shall terminate on the date three (3) years after the CREB Maturity Date.

The undersigned acknowledge that this Project Agreement is given as a basis for an opinion of the law firm of Chapman and Cutler LLP, Chicago, Illinois, and such firm is hereby authorized to rely on this Project Agreement.

DATED as of the day and year first above written.

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

By Gene Manning

Title President

CFC DOC
AZ014-A-9040-CB001 (JABLONJ)
117511-1

## EXHIBIT A

## DEFINITIONS

*"Affiliated Person"* means any Person that (a) at any time during the six months prior to the Closing Date, (i) has more than five percent of the voting power of the governing body of the Issuer or the Borrower in the aggregate vested in its directors, officers, owners, and employees or (ii) has more than five percent of the voting power of its governing body in the aggregate vested in directors, officers, board members, owners, members or employees of the Issuer or the Borrower or (b) during the one-year period beginning six months prior to the Closing Date, (i) the composition of the governing body of which is modified or established to reflect (directly or indirectly) representation of the interests of the Issuer or the Borrower (or for which an agreement, understanding, or arrangement relating to such a modification or establishment during that one-year period) or (ii) the composition of the governing body of the Issuer or the Borrower is modified or established to reflect (directly or indirectly) representation of the interests of such Person (or for which an agreement, understanding, or arrangement relating to such a modification or establishment during that one-year period).

*"Bond Counsel"* means Chapman and Cutler LLP or any other nationally recognized firm of attorneys experienced in the field of municipal obligations whose opinions are generally accepted by purchasers of municipal obligations.

*"Closing Date"* means the date the Issuer issues the Securities.

*"Code"* means the Internal Revenue Code of 1986, as amended.

*"Constructed Personal Property"* means tangible personal property (or, if acquired pursuant to a single acquisition contract, properties) or Specially Developed Computer Software if (i) a substantial portion of the property or properties is completed more than six (6) months after the earlier of the date construction or rehabilitation commenced and the date the Borrower entered into an acquisition contract; (ii) based on the reasonable expectations of the Borrower, if any, or representations of the person constructing the property, with the exercise of due diligence, completion of construction or rehabilitation (and delivery to the issuer) could not have occurred within that six-month period; and (iii) if the Borrower itself builds or rehabilitates the property, not more than 75 percent of the capitalizable cost is attributable to property acquired by the Borrower (*e.g.,* components, raw materials, and other supplies).

*"Construction Purposes"* means capital expenditures that are allocable to the cost of Real Property or Constructed Personal Property. Except as provided in the next succeeding sentence, construction expenditures do not include expenditures for acquisitions of interests in land or other existing real property. Expenditures are not for the acquisition of an interest in existing real property other than land if the contract between the seller and the Borrower requires the seller to build or install the property (*e.g.,* a *turnkey contract*), but only to the extent that the property has not been built or installed at the time the parties enter into the contract.

*"Control"* means the possession, directly or indirectly through others, of either of the following discretionary and non-ministerial rights or powers over another entity (i) to approve and to remove without cause a controlling portion of the governing body of a Controlled Entity, or (ii) to require the use of funds or assets of a Controlled Entity for any purpose.

*"Controlled Entity"* means any entity or one of a group of entities that is subject to Control by a Controlling Entity or group of Controlling Entities.

*"Controlled Group"* means a group of entities directly or indirectly subject to Control by the same entity or group of entities, including the entity that has the Control of the other entities.

*"Controlling Entity"* means any entity or one of a group of entities directly or indirectly having Control of any entities or group of entities.

*"CREB Maturity Date"* shall have the meaning ascribed to it in the Loan Agreement.

*"Governmental Body"* means any State, territory, possession of the United States, the District of Columbia, Indian tribal government, and any political subdivision thereof.

*"Mortgage"* means the mortgage and security agreement applicable to substantially all of the property of the Borrower.

*"Qualified Borrower"* means (i) a mutual or cooperative electric company described in Sections 501(c)(12) or 1381(a)(2)(C) of the Code, or (ii) a Governmental Body (as defined above).

*"Real Property"* means land and improvements to land, such as buildings or other inherently permanent structures, including interests in real property. For example, real property includes wiring in a building, plumbing systems, central heating or air-conditioning systems, pipes or ducts, elevators, escalators installed in a building, paved parking areas, roads, wharves and docks, bridges, and sewage lines.

*"Related Person"* means any member of the same Controlled Group as the Issuer or the Borrower and any person related to the Issuer or a Borrower within the meaning of Section 144(a)(3) of the Code.

*"Solar Energy Facility"* means a facility using solar energy to produce electricity.

*"Specially Developed Computer Software"* means any programs or routines used to cause a computer to perform a desired task or set of tasks, and the documentation required to describe and maintain those programs, provided that the software is specially developed and is functionally related and subordinate to real property or other constructed personal property.

*"Tangible Personal Property"* means any tangible property other than real property, including interests in tangible personal property. For example, tangible personal property

includes machinery that is not a structural component of a building, subway cars, fire trucks, automobiles, office equipment, testing equipment, and furnishings.

## EXHIBIT B

### UPDATED DESCRIPTION OF THE PROJECT

| | |
|---|---|
| CFC Application | No. 10 Sulphur Springs Valley EC, Inc. |
| Bond Proceeds Needed for Project: | $840,000 |
| Bond Allocation Requested and Received: | $840,000 |

| | |
|---|---|
| Name of Project | Fort Huachuca Accommodation District Photovoltaic Solar Automobile Parking Shade Structure |

Project Street Addresses

| | | |
|---|---|---|
| Colonel Smith Middle School<br>Bldg. 67601 Gushing Street<br>Fort Huachuca, AZ 85670<br>Phone: (520) 459-8892<br>Fax: (520) 459-8939 | General Meyer Elementary School<br>Smith Avenue Building 45103<br>For Huachuca, AZ 85670<br>Phone: (520) 459-8986<br>Fax: (520) 459-4092 | Colonel Johnstone Elementary School<br>Rucker Street Building 47120<br>Fort Huachuca, AZ 85670<br>Phone:(520)459-8798<br>Fax: : (520) 459-4090 |

| | |
|---|---|
| County | Cochise County |

| | |
|---|---|
| Individual Name to Contact | Jack Blair |
| Company Name | Sulphur Springs Valley Electric Cooperative, Inc. |
| Street Address | 311 E. Wilcox Drive |
| City, State, Zip | Sierra Vista, AZ 85635 |
| Telephone Number | (520) 515-3470 |
| Fax | (520) 458-3467 |

Updated Detailed Description of the Project:

A cantilevered shade structure at a school on the top of which will be constructed a 23kW solar photovoltaic system to supply power to the school. Excess power will flow on to the SSVEC system.

## EXHIBIT C

## ORIGINAL DESCRIPTION OF THE PROJECT

## [COPY OF EXHIBIT A TO ISSUER APPLICATION TO THE IRS]
## CLEAN RENEWABLE ENERGY BONDS APPLICATION
## EXHIBIT A

## SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

## FORT HUACHUCA ACCOMMODATION DISTRICT PHOTOVOLTAIC SOLAR SHADE STRUCTURE

This project will place photovoltaic modules costing $280,000 each, that will produce 23 kW of electricity in the shade structures in the three Fort Huachuca Accommodation District schools. The PV structure will provide electricity to the respective school at no charge. There will also be a cable connection to a computer in the library of each school to show students how the system is working.

This project is the identical project that Navopache Electric Cooperative in Arizona built in 2001 that continues to function with no issues/problems.

SSVEC will operate and maintain the structure. Any excess power produced will flow back to the SSVEC grid.

The PV structures at the schools will significantly reduce their electric bills, which have been disproportionately large due to the per meter monthly surcharges mandated by the Environmental Portfolio Program (EPP), and approved by the Arizona Corporation Commission. All customers pay the EPP fees to SSVEC, which uses them to fund renewable energy projects. Since each school has many meters, they pay the EPP a disproportionately large amount of dollars. The benefit of reduced electric bills will offset their payments into the fund.

The RFP issued by Sulphur Springs Valley Electric Cooperative follows.

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.
A TOUCHSTONE ENERGY® COOPERATIVE

FOR THE ELECTRIC COOPERATIVES IN THE STATE OF ARIZONA

# REQUEST
# A
# PROPOSAL

FOR

## A PHOTOVOLTAIC SYSTEM
## USED FOR
## CARPORT OR SHADE STRUCTURES
## FOR
## PUBLIC BUILDINGS

**ISSUED: AUGUST 1, 2005**

Narrative: The Electric Cooperatives in Arizona (Duncan Valley EC, Graham County EC, Mohave EC, Navopache EC, Sulphur Springs Valley EC, Trico EC and Arizona Electric Power Cooperative, Inc.) request a proposal for a modular designed system to supply a 10 kW to 30 kW Photovoltaic (PV) system. System size is relative to the space available for the PV panels on each site. System may consist of multiple free standing modules interconnected to meet the 10 to 30 kW size requirement. Modules to be used as free standing carports or free standing covers for walkways to provide shade. These systems are to be used at public buildings to increase the awareness of PV systems and operations and systems will be sized based on the available space. Base pricing for 10, 15, 20, 25, and 30 kW systems are requested (systems may be rounded to the nearest 5kW increment). The interconnection cost from the PV system to nearest distribution panel will be on a case by case basis due to the variation in sites. This RFP is not all inclusive and contractor may include other specifications or requirements they feel are necessary for a successful venture.

This RFP is released on August 1, 2005 and response must be in a written proposal by October 1, 2005. For questions or clarification of details please contact Albert Gomez (520-515-3473) or David Bane (520-515-3472).

SCOPE OF WORK - THE CONTRACTOR WILL BE RESPONSIBLE FOR THE FOLLOWING:

- Structural design of the supporting PV structures (carport and walkway)
- One line circuit diagrams for approval by local Cooperative's engineering department
- Complete wiring diagrams (to be included in owner manual)
- Isolation transformers as needed to meet the NEC
- Purchase and installation of all components
- Systems test period of 4-6 weeks prior to transfer of title of equipment to site owner

- Any required Permits (Cooperative will reimburse actual cost of permits)
- Meter socket on the A/C output of the inverter(s)
- Interconnection with Customers electric service
- Fencing around inverters and other equipment as required for security and public safety
- Project to meet or exceed SunWatts standards
- Basic training for site owner / site operator
- Operators Manual

THE COOPERATIVE WILL PROVIDE THE FOLLOWING:

- Meter to measure AC output from PV system to owners electric panel
- Written permission from site owner to build the PV Module
- Act as the point of contact with the installation Contractor on behalf of the site owner

STRUCTURAL DESIGN REQUIREMENTS:

The basic structure is to support the PV cells but must be able to work as a carport with all the required clearances. Support should be in a cantilever style to allow easy parking, spacing on vertical supports should be in multiples of 10 feet to be able to match typical parking lot spacing, height should allow the parking of full size passenger vans, and structure does not have to be water proof (providing shade to vehicles is secondary to the production of energy). Sample profile (to show intent not required design) is on page 4. Ideal structure would have the ability to support PV panels that would be effective if the long side of the structure is in a North-South as well as East-West orientation.

PV DESIGN REQUIREMENTS:

- PV panels shall have warranty for a minimum of 15 years to cover rated output (output degradation not to exceed 20% over life of panel)
- All system components will be UL certified
- System will include isolation transformers per section 250-30 of the NEC
- Polyphase inverter with voltage to match customer's system
- Inverter to match capacity of project
- 15 year manufacturers warranty on Inverter (contractor may use an extended warranty insurance policy to meet 15 year requirement)
- Contractor will warranty repair labor at 100% for first 5 years, 66% of labor for second 5 years, and 33% of labor for remaining 5 years, (limited to warranty repairs)
- Interconnection costs from site of PV system to nearest practical distribution panel will be on a case by case basis, (site selection process will keep this as short as possible)

SUNWATTS REQUIREMENTS:

- One-line drawings subject to approval by local Cooperative's engineering department
- Units to operate in parallel with grid
- Includes protection for out of frequency problems

- Low harmonics
- Inverter must disconnect in the event grid power is lost
- Lockable safety switch located between the inverter and meter socket

TRAINING REQUIREMENTS:

The Contractor will provide sufficient time with the site owner to explain how to disconnect the system, locate inverter, identify all junction boxes between the modules, and identify any system warning lights or displays. Contractor will also provide system manual with basic operating instructions and all the associated warranty information and manufacturer contacts listed.

## EXHIBIT D

## MONTHLY DRAWDOWN SCHEDULE OF AMOUNTS TO BE ADVANCED TO THE BORROWER PURSUANT TO THE LOAN AGREEMENT

| DATE ON WHICH PROCEEDS ARE EXPECTED TO BE EXPENDED | AMOUNTS OF PROCEEDS TO BE EXPENDED |
|---|---|
| April 28, 2008 | $280,000 |
| May 5, 2008 | $280,000 |
| May 12, 2008 | $280,000 |

**EXHIBIT D**

**TERMINATION CERTIFICATE**
**OF**
**BORROWER**

Pursuant to the Loan Agreement dated as of _____ by and between SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (the "Borrower") and National Rural Utilities Cooperative Finance Corporation ("CFC") relating to CFC Loan Number AZ014-A-9040-CB001 (the "Loan Agreement"), the undersigned, _____, duly qualified officer of the Borrower, hereby certifies as follows:

(i) all portions of the Project (as defined in the Loan Agreement) have not been fully completed substantially in accordance with any plans and specifications therefor, as then amended;

(ii) no further acquisition, construction or installation will occur with respect to the Project (as defined in the Loan Agreement); and

(iii) the Borrower does not intend to request any further Advances (as defined in the Loan Agreement) on the Loan (as defined in the Loan Agreement).

IN WITNESS WHEREOF, the undersigned have hereunto set his/her signature this ____ day of _____, 20____.

SULPHUR SPRINGS VALLEY ELECTRIC
COOPERATIVE, INC.

By _____
Title:

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

To

NATIONAL RURAL UTILITIES
COOPERATIVE FINANCE CORPORATION
Issuer

# LOAN AGREEMENT

Dated as of 12/21, 2007

Clean Renewable Energy Bonds
(Cooperative Renewable Energy Projects) Series 2008A
of National Rural Utilities Cooperative Finance Corporation

CFC LOANAG
AZ014-A-9040-CB001 (JABLONJ)
117574-2

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## LOAN AGREEMENT

**LOAN AGREEMENT** (this "Agreement") dated as of _____, between SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. ("Borrower"), a corporation organized and existing under the laws of the State of Arizona and NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION ("CFC"), a cooperative association organized and existing under the laws of the District of Columbia.

## RECITALS

**WHEREAS,** the Borrower has applied to CFC for a loan for the purposes set forth in Schedule 1 hereto, and CFC is willing to make such a loan to the Borrower on the terms and conditions stated herein; and

**WHEREAS,** the Borrower has agreed to execute a promissory note to evidence an indebtedness in the aggregate principal amount of the CFC Commitment (as hereinafter defined).

**NOW, THEREFORE,** for and in consideration of the premises and the mutual covenants hereinafter contained, the parties hereto agree and bind themselves as follows:

## ARTICLE I

## DEFINITIONS

**Section 1.01** For purposes of this Agreement, the following capitalized terms shall have the following meanings (such definitions to be equally applicable to the singular and the plural form thereof). Capitalized terms that are not defined herein shall have the meanings as set forth in the Mortgage.

**"Accounting Requirements"** shall mean any system of accounts prescribed by a federal regulatory authority having jurisdiction over the Borrower or, in the absence thereof, the requirements of GAAP applicable to businesses similar to that of the Borrower.

**"Advance"** shall mean each advance of funds by CFC to the Borrower pursuant to the terms and conditions of this Agreement, including the Initial Advance and the Primary Advance.

**"Authorized Officer of the Borrower"** means the Chairman, General Manager or Chief Financial Officer of the Borrower or any other person authorized by the Board of the Borrower so to act or any other person performing a function similar to the function performed by any such officer or authorized person.

**"Average DSC Ratio"** shall mean the average of the Borrower's two highest annual DSC Ratios during the most recent three calendar years.

**"Bond Counsel"** means an attorney at law or a firm of attorneys (designated by CFC and acceptable to the Trustee) of nationally recognized standing in matters pertaining to the tax-exempt nature of interest or tax credits on bonds issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of any state of the United States of America.

**"Business Day"** shall mean any day that both CFC and the depository institution CFC utilizes for funds transfers hereunder are open for business.

**"CFC Commitment"** shall have the meaning as defined in Schedule 1.

**"CFC CREB Rate"** shall mean the interest rate charged by CFC for loans made by CFC from proceeds of the CREBs which rate shall not exceed one hundred and fifty basis points (150/100 of 1%) per annum.

**"Closing Date"** shall mean the date CFC issues the CREBs.

**"Code"** shall mean the Internal Revenue Code of 1986, as supplemented and amended.

**"Completion Certificate"** shall mean the certificate of the Borrower required by Section 5.01.P of this Agreement, substantially in the form of Exhibit C hereto.

**"CREBs"** shall mean the series of Securities issued by CFC to provide financing for the Project.

**"CREB Maturity Date"** shall mean the maturity date of the CREBs, which shall be the December 15th prior to the Maximum CREB Term Anniversary Date.

**"Debt Service Coverage ("DSC") Ratio"** shall mean the ratio determined as follows: for any calendar year add (i) Operating Margins, (ii) Non-Operating Margins--Interest, (iii) Interest Expense, (iv) Depreciation and Amortization Expense, and (v) cash received in respect of generation and transmission and other capital credits, and divide the sum so obtained by the sum of all payments of Principal and Interest Expense required to be made during such calendar year; provided, however, that in the event that any amount of Long-Term Debt has been refinanced during such year, the payments of Principal and Interest Expense required to be made during such year on account of such refinanced amount of Long-Term Debt shall be based (in lieu of actual payments required to be made on such refinanced amount of Long-Term 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 payment of Principal and Interest Expense required to be made during the following year on account of such refinancing debt.

**"Default Rate"** shall mean a rate per annum equal to one hundred and fifty basis points (150/100 of 1%).

**"Depreciation and Amortization Expense"** shall mean an amount constituting the depreciation and amortization of the Borrower computed pursuant to Accounting Requirements.

**"Determination of Tax Credit Ineligibility"** shall mean a determination that a particular series of Securities does not qualify for a tax credit for the owner thereof under Section 54 of the Code, which determination shall be deemed to have been made upon the occurrence of the first to occur of the following:

(a) the date on which CFC determines that there is a significant likelihood that a particular series of Securities may not qualify for a tax credit, if such determination is supported by a written opinion of Bond Counsel to that effect; or

(b) the date on which CFC shall receive notice in writing that the Trustee has been advised by the owner of any Security that a particular series of Securities does not qualify for a tax credit for the owner thereof, based upon a final determination made either by: (A) the Internal Revenue Service in a published or private ruling or technical advice memorandum or (B) any court of competent jurisdiction in the United States of America, as a result of a failure by CFC or any borrower to observe any agreement or representation in the Tax Compliance Agreement or a Loan Agreement or Project Agreement relating to the proceeds of the Securities. Any such determination will not be considered final for this purpose unless the Owner of the Securities involved in the proceeding or action resulting in the determination (i) gives CFC and the Trustee prompt written notice of the commencement thereof and (ii) if CFC agrees to pay all expenses in connection therewith and to indemnify such Owner of the Securities against all liabilities in connection therewith, offers CFC an opportunity to contest the determination, either directly or in the name of the Owner of the Securities, and until conclusion of any review, if sought.

**"Distributions"** shall mean, with respect to the Borrower, any dividend, patronage refund, patronage capital retirement or cash distribution to its members, or consumers (including but not limited to any general cancellation or abatement of charges for electric energy or services furnished by the Borrower). The term "Distribution" shall *not* include (a) a distribution by the Borrower to the estate of a deceased patron, (b) repayment by the Borrower of a membership fee upon termination of a membership, or (c) any rebate to a patron resulting from a cost abatement received by the Borrower, such as a reduction of wholesale power cost previously incurred.

**"Draw Period"** shall have the meaning as described in Schedule 1 hereto.

**"Environmental Laws"** shall mean all laws, rules and regulations promulgated by any Governmental Authority, with which Borrower is required to comply, regarding the use, treatment, discharge, storage, management, handling, manufacture, generation, processing, recycling, distribution, transport, release of or exposure to any Hazardous Material.

**"Equity"** shall mean the aggregate of the Borrower's equities and margins computed pursuant to Accounting Requirements.

**"Event of Default"** shall have the meaning as described in Article VI hereof.

**"Funds Requisition Statement"** shall mean the certificate of the Borrower, in the form set forth as Exhibit A to this Agreement, by which the Borrower will obtain an advance of funds from CFC under the Loan.

**"GAAP"** shall mean generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board.

**"Governmental Authority"** shall mean the government of the United States of America, any other nation or government, any state or other political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

**"Hazardous Material"** shall mean any (a) petroleum or petroleum products, radioactive materials, asbestos-containing materials, polychlorinated biphenyls, lead and radon gas, and (b) any

other substance designated as hazardous or toxic or as a pollutant or contaminant under any Environmental Law.

**"Indenture"** shall mean the Indenture between CFC and U.S. Bank Trust Company National Association, relating to the first issue of Securities, pursuant to which the Securities, including the CREBs are issued, as supplemented and amended.

**"Initial Advance"** shall mean the Advance made by CFC on the Closing Date pursuant to Section 3.02.A hereof to fund a portion of CFC's costs in issuing the CREBs attributable to the CFC Commitment, including, but not limited to, original issue discount, underwriting discount and other costs of issuance, including, without limitation, rating agency costs and legal, underwriting and Trustee expenses.

**"Interest Expense"** shall mean an amount constituting the interest expense with respect to Long-Term Debt of the Borrower computed pursuant to Accounting Requirements. 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 Restricted Rentals paid by the Borrower over 2% of the Borrower's Equity.

**"Lien"** shall mean any statutory or common law consensual or non-consensual mortgage, pledge, security interest, encumbrance, lien, right of set off, claim or charge of any kind, including, without limitation, any conditional sale or other title retention transaction, any lease transaction in the nature thereof and any secured transaction under the Uniform Commercial Code.

**"Loan"** shall mean the loan made by CFC to the Borrower, pursuant to this Agreement and the Note, in an aggregate principal amount not to exceed the CFC Commitment.

**"Loan Capital Term Certificate" or "LCTC"** shall mean a certificate, or book entry form of account, evidencing the Borrower's purchase of equity in CFC.

**"Loan Documents"** shall mean this Agreement, the Note, the Mortgage, the Project Agreement and all other documents or instruments executed, delivered or executed and delivered by the Borrower and evidencing, securing, governing or otherwise pertaining to, the Loan.

**"Long-Term Debt"** shall mean an amount constituting the long-term debt of the Borrower computed pursuant to Accounting Requirements.

**"Maturity Date"** shall mean the Payment Date immediately prior to the CREB Maturity Date permitted for the CREBs under Section 54(e)(2) of the Code as in effect on the Closing Date.

**"Maximum CREB Term Anniversary Date"** shall mean the anniversary of the Closing Date that occurs at the maximum term permitted for the CREBs under Section 54(e)(2) of the Code as in effect on the Closing Date.

**"Mortgage"** shall have the meaning as described in Schedule 1 hereto.

**"Mortgaged Property"** shall have the meaning ascribed to it in the Mortgage.

**"Non-Operating Margins--Interest"** shall mean the amount representing the interest component of non-operating margins of the Borrower computed pursuant to Accounting Requirements.

**"Note"** shall mean the secured promissory note, payable to the order of CFC, executed by the Borrower, dated as of even date herewith, pursuant to this Agreement as identified on Schedule 1 hereto and shall include any substitute note or modification thereto.

**"Obligations"** shall mean any and all liabilities, obligations or indebtedness owing by the Borrower to CFC, of any kind or description, irrespective of whether for the payment of money, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising.

**"Operating Margins"** shall mean the amount of patronage capital and operating margins of the Borrower computed pursuant to Accounting Requirements.

**"Payment Date"** shall mean the first (1st) day of each of March, June and September and December.

**"Payment Notice"** shall mean a notice furnished by CFC to the Borrower that indicates the amount of each payment of interest or interest and principal and the total amount of each payment due.

**"Permitted Encumbrances"** shall have the meaning ascribed to it in the Mortgage.

**"Person"** shall mean natural persons, cooperatives, corporations, limited liability companies, limited partnerships, general partnerships, limited liability partnerships, joint ventures, associations, companies, trusts or other organizations, irrespective of whether they are legal entities, and Governmental Authorities.

**"Primary Advance"** shall mean the Advance made by CFC to the Borrower pursuant to Section 3.02.B hereof two Business Days after the Closing Date to reimburse Borrower for costs of the Project.

**"Principal"** shall mean the amount of principal billed on account of Long-Term Debt of the Borrower computed pursuant to Accounting Requirements.

**"Project"** shall mean the project being financed pursuant to the Loan, as further described in Schedule 1.

**"Project Account"** means an account created pursuant to the Indenture within the Project Fund related to the CREBs.

**"Project Agreement"** shall mean the Project Agreement, dated as of even date herewith, executed by the Borrower with respect to the Project and the CREBs.

**"Project Fund"** means the Project Fund created and identified as such in the Indenture.

**"Restricted Rentals"** shall mean all rentals required to be paid under finance leases and charged to income, exclusive of any amounts paid under any such lease (whether or not designated therein as rental or additional rental) for maintenance or repairs, insurance, taxes, assessments, water rates or similar charges. For the purpose of this definition the term "finance lease" shall mean any lease having a rental term (including the term for which such lease may be renewed or extended at the option of the lessee) in excess of three (3) years and covering property having an initial cost in excess of $250,000 other than automobiles, trucks, trailers, other vehicles (including without

limitation aircraft and ships), office, garage and warehouse space and office equipment (including without limitation computers).

**"Securities"** shall mean one or more series of clean renewable energy bonds issued by CFC under the Indenture.

**"Subsidiary"** as to any Person, shall mean a corporation, partnership, limited partnership, limited liability company or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise qualified, all references to a "Subsidiary" or to "Subsidiaries" in this Agreement shall refer to a Subsidiary or Subsidiaries of the Borrower.

**"Tax Compliance Agreement"** means a tax compliance certificate and agreement of CFC with respect to a series of Securities, as accepted by the Trustee, as amended.

**"Termination Certificate"** shall mean the certificate of the Borrower required by Section 5.01.Q of this Agreement, substantially in the form of Exhibit D hereto.

**"Total Assets"** shall mean an amount constituting the total assets of the Borrower computed pursuant to Accounting Requirements.

**"Total Utility Plant"** shall mean the amount constituting the total utility plant of the Borrower computed pursuant to Accounting Requirements.

**"Trustee"** shall mean U.S. Bank Trust Company National Association and its successors and assigns.

## ARTICLE II

## REPRESENTATIONS AND WARRANTIES

**Section 2.01** The Borrower represents and warrants to CFC that as of the date of this Agreement:

**A. Good Standing.** The Borrower is duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization, is duly qualified to do business and is in good standing in those states in which it is required to be qualified to conduct its business. The Borrower is a member in good standing of CFC.

**B. Subsidiaries and Ownership.** Schedule 1 hereto sets forth a complete and accurate list of the Subsidiaries of the Borrower showing the percentage of the Borrower's ownership of the outstanding stock, membership interests or partnership interests, as applicable, of each Subsidiary.

**C. Authority; Validity.** The Borrower has the power and authority to enter into this Agreement, the Note, the Project Agreement and the Mortgage; to make the borrowing hereunder; to execute and deliver all documents and instruments required hereunder and to incur and perform the obligations provided for herein, in the Note, in the Project Agreement and in the Mortgage, all of which have been duly authorized by all necessary and proper action; and no consent or approval of

any Person, including, as applicable and without limitation, members of the Borrower, which has not been obtained is required as a condition to the validity or enforceability hereof or thereof.

Each of this Agreement, the Note, the Project Agreement and the Mortgage is, and when fully executed and delivered will be, legal, valid and binding upon the Borrower and enforceable against the Borrower in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity.

**D. No Conflicting Agreements.** The execution and delivery of the Loan Documents and performance by the Borrower of the obligations thereunder, and the transactions contemplated hereby or thereby, will not: (i) violate any provision of law, any order, rule or regulation of any court or other agency of government, any award of any arbitrator, the articles of incorporation or by-laws of the Borrower, or any indenture, contract, agreement, mortgage, deed of trust or other instrument to which the Borrower is a party or by which it or any of its property is bound; or (ii) be in conflict with, result in a breach of or constitute (with due notice and/or lapse of time) a default under, any such award, indenture, contract, agreement, mortgage, deed of trust or other instrument, or result in the creation or imposition of any Lien (other than contemplated hereby) upon any of the property or assets of the Borrower.

The Borrower is not in default in any material respect under any agreement or instrument to which it is a party or by which it is bound and no event or condition exists which constitutes a default, or with the giving of notice or lapse of time, or both, would constitute a default under any such agreement or instrument.

**E. Taxes.** The Borrower, and each of its Subsidiaries, has filed or caused to be filed all federal, state and local tax returns which are required to be filed and has paid or caused to be paid all federal, state and local taxes, assessments, and governmental charges and levies thereon, including interest and penalties to the extent that such taxes, assessments, and governmental charges and levies have become due, except for such taxes, assessments, and governmental charges and levies which the Borrower or any Subsidiary is contesting in good faith by appropriate proceedings for which adequate reserves have been set aside.

**F. Licenses and Permits.** The Borrower has duly obtained and now holds all licenses, permits, certifications, approvals and the like necessary to own and operate its property and business that are required by Governmental Authorities and each remains valid and in full force and effect.

**G. Litigation.** There are no outstanding judgments, suits, claims, actions or proceedings pending or, to the knowledge of the Borrower, threatened against or affecting the Borrower, its Subsidiaries or any of their respective properties which, if adversely determined, either individually or collectively, would have a material adverse effect upon the business, operations, prospects, assets, liabilities or financial condition of the Borrower or its Subsidiaries. The Borrower and its Subsidiaries are not, to the Borrower's knowledge, in default or violation with respect to any judgment, order, writ, injunction, decree, rule or regulation of any Governmental Authority which would have a material adverse effect upon the business, operations, prospects, assets, liabilities or financial condition of the Borrower or its Subsidiaries.

**H. Financial Statements.** The balance sheet of the Borrower as at the date identified in Schedule 1 hereto, the statement of operations of the Borrower for the period ending on said date, and the interim financial statements of the Borrower, all heretofore furnished to CFC, are complete and correct. Said balance sheet fairly presents the financial condition of the Borrower as at said date

and said statement of operations fairly reflects its operations for the period ending on said date. The Borrower has no contingent obligations or extraordinary forward or long-term commitments except as specifically stated in said balance sheet or herein. There has been no material adverse change in the financial condition or operations of the Borrower from that set forth in said financial statements except changes disclosed in writing to CFC prior to the date hereof.

I. **Borrower's Legal Status.** Schedule 1 hereto accurately sets forth: (i) the Borrower's exact legal name, (ii) the Borrower's organizational type and jurisdiction of organization, (iii) the Borrower's organizational identification number or accurate statement that the Borrower has none, and (iv) the Borrower's place of business or, if more than one, its chief executive office as well as the Borrower's mailing address if different.

J. **Required Approvals.** Other than the CREBs allocation received from the Internal Revenue Service, no license, consent or approval of any Governmental Authority is required to enable the Borrower to enter into this Agreement, the Project Agreement, the Note and the Mortgage, or to perform any of its Obligations provided for in such documents, including without limitation (and if applicable), that of any state public utilities commission, any state public service commission, and the Federal Energy Regulatory Commission, except as disclosed in Schedule 1 hereto, all of which the Borrower has obtained prior to the date hereof.

K. **Compliance With Laws.** The Borrower and each Subsidiary is in compliance, in all material respects, with all applicable requirements of law and all applicable rules and regulations of each Governmental Authority.

L. **Disclosure.** To the Borrower's knowledge, information and belief, neither this Agreement nor any document, certificate or financial statement furnished to CFC by or on behalf of the Borrower in connection herewith (all such documents, certificates and financial statements, taken as a whole) contains any untrue statement of a material fact or omits to state any material fact necessary in order to make the statements contained herein and therein not misleading.

M. **No Other Liens.** As to property which is presently included in the description of Mortgaged Property, the Borrower has not, without the prior written approval of CFC, executed or authenticated any security agreement or mortgage, or filed or authorized any financing statement to be filed with respect to assets owned by it, other than security agreements, mortgages and financing statements in favor of CFC, except as disclosed in writing to CFC prior to the date hereof or relating to Permitted Encumbrances.

N. **Environmental Matters.** Except as to matters which individually or in the aggregate would not have a material adverse effect upon the business or financial condition of the Borrower or its Subsidiaries, (i) Borrower is in compliance with all Environmental Laws (including, but not limited to, having any required permits and licenses), (ii) there have been no releases (other than releases remediated in compliance with Environmental Laws) from any underground or aboveground storage tanks (or piping associated therewith) that are or were present at the Mortgaged Property, (iii) Borrower has not received written notice or claim of any violation of any Environmental Law, (iv) there is no pending investigation of Borrower in regard to any Environmental Law, and (v) to the best of Borrower's knowledge, there has not been any release or contamination (other than releases or contamination remediated in compliance with Environmental Laws) resulting from the presence of Hazardous Materials on property owned, leased or operated by the Borrower.

O. **Project Agreement.** As set forth in the Project Agreement, the Project constitutes "a qualified project" as defined in Section 54(d)(2)(A) of the Code. As set forth in the Project Agreement,

the Borrower constitutes currently, and will remain through the period that the CREBs remain outstanding, "a Qualified Borrower", meaning a (i) mutual or cooperative electric company described in Sections 501(c)(12) or 1381(a)(2)(C) of the Code, or (ii) a Governmental Body, which is defined as any state, territory possession of the U.S., the District of Columbia, Indian tribal government, and any political subdivision thereof. The statements, information and descriptions contained in the Project Agreement are true, correct and complete, and do not contain any untrue statement or misleading statement of a material fact, and do not omit to state a material fact required to be stated therein or necessary to make the statements, information and descriptions contained therein, in the light of the circumstances under which they were made, not misleading, and the estimates and the assumptions contained in the Project Agreement are reasonable and based on the best information available to the Borrower.

## ARTICLE III

## LOAN

**Section 3.01 Definitions.** For purposes of this Article 3, the following capitalized terms shall have the following meanings:

**"Borrower's Annual Bond Repayment Amount"** shall mean the amount determined by dividing the CFC Commitment by the number of years from the Closing Date to the Maximum CREB Term Anniversary Date, which amount shall be recalculated on the date CFC rescinds any excess moneys pursuant to Section 3.05 or 3.06 hereof.

**"Quarterly Bond Deposit Amount"** shall mean for each Payment Date, the amount determined by subtracting from the Quarterly Bond Repayment Amount the principal amount payable by the Borrower pursuant to Section 3.03.A(ii)(b)(1) on such Payment Date.

**"Quarterly Bond Repayment Amount"** shall mean one-fourth (¼) of the Borrower's Annual Bond Repayment Amount.

**Section 3.02 Advances.** The obligation of the Borrower to repay the Advances shall be evidenced by the Note. The aggregate amount of all Advances made hereunder shall not exceed the CFC Commitment. At the end of the Draw Period, CFC shall have no further obligation to make Advances.

**A. Initial Advance.** Borrower hereby agrees that on the Closing Date, CFC shall automatically, and without action by Borrower, make the Initial Advance. On the Closing Date, CFC shall notify Borrower of the final amount of the Initial Advance and the amount of the CFC Commitment remaining for Borrower to subsequently Advance.

**B. Subsequent Advances.**

(i) The Borrower may submit a request for the Primary Advance to CFC in writing (which may be submitted by facsimile) no later than 12:00 noon local time at CFC's offices in Herndon, Virginia seven Business Days prior to the Closing Date. The Primary Advance may be requested in any amount up to the CFC Commitment. CFC shall make the Primary Advance two Business Days after the Closing Date in the lesser of (i) the aggregate amount of such requested Primary Advance, and (ii) the amount of the CFC Commitment less the amount of the Initial Advance.

(ii) Except as set forth in 3.02.A and 3.02.B(i) hereof, the Borrower shall submit its request for an Advance to CFC in writing (which may be submitted by facsimile) no later than 12:00 noon local time at CFC's offices in Herndon, Virginia at least two (2) Business Days prior to the last Business Day of any calendar month. Borrower may make multiple requests for Advances during any calendar month in any amount so long as the aggregate amount of all Advances requested in such month is in an amount not less than $100,000.00; *provided, however* that at such time as there remains less than $100,000.00 available for Advance hereunder, Borrower may request the entirety of such remaining amount. CFC shall make a single Advance to Borrower on the first Business Day of the calendar month following Borrower's request(s) for an Advance. Such Advance shall be in the aggregate amount of all Advances requested by Borrower in the prior month, *provided however* that at such time as there remains less than $100,000.00 available for Advance hereunder and Borrower requests the entirety of such remaining amount, CFC shall Advance the entirety of such remaining amount.

**Section 3.03 Interest Rate and Payment.** The Note shall be payable and bear interest as follows:

**A. Payments; Maturity; Amortization.**

(i) The Note shall be due and payable on the Maturity Date.

(ii) On each Payment Date, the Borrower shall promptly pay the following:

(a) accrued interest on the principal amount of the Loan outstanding less the amount of the Initial Advance; and

(b) the Quarterly Bond Repayment Amount, consisting of:

(1) the principal amount due on any outstanding Advances, determined on the basis of a quarterly amortization schedule from the date of each Advance; and

(2) the Quarterly Bond Deposit Amount.

(iii) If not sooner paid, any amount due on account of the unpaid principal, interest accrued thereon and fees, if any, shall be due and payable on the Maturity Date.

(iv) Each Advance shall amortize on a level principal payment basis from the date thereof through the Maturity Date.

(v) CFC will furnish to the Borrower a Payment Notice at least ten (10) days before each Payment Date, provided, however, that CFC's failure to send a Payment Notice shall not constitute a waiver by CFC or be deemed to relieve the Borrower of its obligation to make payments as and when due as provided for herein.

(vi) No provision of this Agreement or of any Note shall require the payment, or permit the collection, of interest in excess of the highest rate permitted by applicable law.

Borrower agrees that the records of, and all computations by, CFC (in whatever media they are recorded or maintained) as to the amount of principal, interest, fees and Quarterly Bond Deposit Amount due on the Loan shall be conclusive in the absence of manifest error.

**B. Application of Payments.** Each payment shall be applied to the Loan, first to any fees, costs, expenses or charges other than interest or principal, second to interest accrued, third to the Quarterly Bond Deposit Amount and the balance to principal.

**C. Application of Bond Repayment Deposit.** At such time as the aggregate amount billed by CFC in any calendar year on account of amortized principal under this Agreement exceeds the Borrower's Annual Bond Repayment Amount for such year, CFC shall apply a portion of the Borrower's prior payments of the Quarterly Bond Deposit Amount in the amount of such overage to principal then due. Until such time, Borrower's payments of the Quarterly Bond Deposit Amount shall not reduce the amount of principal outstanding and subject to amortization. Any amount paid by the Borrower under this Agreement on account of the Quarterly Bond Deposit Amount in excess of the principal amount of the fully advanced Loan shall be refunded to the Borrower on the Maturity Date.

**D. Interest Rate Computation.** Each Advance except the Initial Advance shall bear interest at the CFC CREB Rate which shall apply until the Maturity Date. The Initial Advance shall not bear interest. Interest on Advances shall be computed on the basis of a 30-day month and 360-day year.

**Section 3.04. Extraordinary Obligation to Prepay.** Upon a Determination of Tax Credit Ineligibility that subjects the CREBs to an extraordinary mandatory redemption due to a failure of the Borrower to observe any agreement or representation in this Loan Agreement (as more particularly described in paragraph (b) of the defined term "Determination of Tax Credit Ineligibility"), the Borrower shall prepay the Loan, or such part thereof as determined by CFC, at such times and in such amounts as determined by CFC within sixty (60) days of such determination together with a prepayment premium prescribed by CFC pursuant to its policies of general application in effect from time to time.

**Section 3.05. Rescission of Excess Moneys; Fee.** If the Borrower has not drawn down the full amount of the CFC Commitment at (i) the time of filing the Completion Certificate under Section 5.01P. hereof, (ii) the time of filing the Termination Certificate under 5.01Q. hereof, (iii) a Determination of Tax Credit Ineligibility or (iv) the end of the Draw Period, a corresponding rescission of the amount of principal available to be drawn on the Note as calculated by CFC shall automatically be made without further action by the Borrower. CFC shall release the Borrower from its obligations hereunder as to such rescinded portion, provided the Borrower complies with such terms and conditions as CFC may impose for such release including, without limitation, payment of any rescission fee that CFC may from time to time prescribe, pursuant to its policies of general application.

**Section 3.06. Cancellation of Excess Moneys.** If the Borrower has not drawn down the full amount of the CFC Commitment at the time CFC determines that it will cease making Advances hereunder pursuant to Section 7.01 hereof, a corresponding cancellation of the amount of principal available to be drawn on the Note as calculated by CFC shall automatically be made without action by the Borrower.

**Section 3.07. Default Rate.** If Borrower defaults on its obligation to make a payment due hereunder by the applicable Payment Date, and such default continues for thirty days thereafter, then

beginning on the thirty-first day after the Payment Date and for so long as such default continues, Advances shall bear interest at the Default Rate.

**Section 3.08. Patronage Capital; Interest Rate Discounts.** No patronage capital shall be earned, and no interest rate discounts shall apply, to the Loan.

**Section 3.09. Optional Prepayment.** Except for prepayments made pursuant to Section 3.04 hereof, no prepayment of any Advance, in whole or in part, may be made by the Borrower.

## ARTICLE IV

## CONDITIONS OF LENDING

**Section 4.01** The obligation of CFC to make any Advance hereunder is subject to satisfaction of the following conditions in form and substance satisfactory to CFC:

**A. Legal Matters.** All legal matters incident to the consummation of the transactions hereby contemplated shall be satisfactory to counsel for CFC.

**B. Documents.** CFC shall have been furnished with (i) the executed Loan Documents, (ii) certified copies of all such organizational documents and proceedings of the Borrower authorizing the transactions hereby contemplated as CFC shall require, (iii) an opinion of counsel for the Borrower addressing such legal matters as CFC shall reasonably require, and (iv) all other such documents as CFC may reasonably request.

**C. Government Approvals.** The Borrower shall have furnished to CFC true and correct copies of all certificates, authorizations, consents, permits and licenses from Governmental Authorities necessary for the execution or delivery of the Loan Documents or performance by the Borrower of the obligations thereunder.

**D. Representations and Warranties.** The representations and warranties contained in Article II shall be true on the date of the making of each Advance hereunder with the same effect as though such representations and warranties had been made on such date; no Event of Default and no event which, with the lapse of time or the notice and lapse of time would become such an Event of Default, shall have occurred and be continuing or will have occurred after giving effect to each Advance on the books of the Borrower; there shall have occurred no material adverse change in the business or condition, financial or otherwise, of the Borrower; and nothing shall have occurred which in the opinion of CFC materially and adversely affects the Borrower's ability to perform its obligations hereunder.

**E. Mortgage Recordation.** The Mortgage (and any amendments, supplements or restatements as CFC may require from time to time) shall have been duly filed, recorded or indexed in all jurisdictions necessary (and in any other jurisdiction that CFC shall have reasonably requested) to provide CFC a lien, subject to Permitted Encumbrances, on all of the Borrower's real property, all in accordance with applicable law, and the Borrower shall have paid all applicable taxes, recording and filing fees and caused satisfactory evidence thereof to be furnished to CFC.

**F. UCC Filings.** Uniform Commercial Code financing statements (and any continuation statements and other amendments thereto that CFC shall require from time to time) shall have been duly filed, recorded or indexed in all jurisdictions necessary (and in any other jurisdiction that CFC

shall have reasonably requested) to provide CFC a perfected security interest, subject to Permitted Encumbrances, in the Mortgaged Property which may be perfected by the filing of a financing statement, all in accordance with applicable law, and the Borrower shall have paid all applicable taxes, recording and filing fees and caused satisfactory evidence thereof to be furnished to CFC.

**G. Requisitions.** The Borrower will requisition each Advance by submitting its written requisition to CFC in the form attached as Exhibit A hereto. Requisitions for Advances shall be made only for the purposes set forth in Schedule 1 hereto.

**H. Other Information.** The Borrower shall have furnished such other information as CFC may reasonably require, including but not limited to (i) information regarding the specific purpose for an Advance and the use thereof, (ii) feasibility studies, cash flow projections, financial analyses and pro forma financial statements sufficient to demonstrate to CFC's reasonable satisfaction that after giving effect to the Advance requested, the Borrower shall continue to achieve the DSC ratio set forth in Section 5.01.A herein, to meet all of its debt service obligations, and otherwise to perform and to comply with all other covenants and conditions set forth in this Agreement, and (iii) any other information as CFC may reasonably request. CFC's obligation to make any Advance hereunder is conditioned upon prior receipt and approval of the Borrower's written requisition and other information and documentation, if any, as CFC may have requested pursuant to this paragraph.

**I. Issuance of Bonds.** CFC shall have issued CREBs in an amount not less than the CFC Commitment.

**J. CREB Allocation.** CFC shall have received an allocation in the amount of the CFC Commitment from the U.S. Department of Treasury for the Borrower's Project under its Securities program.

**K. Tax Credit Ineligibility.** There shall have occurred no Determination of Tax Credit Ineligibility with regard to the Borrower or the Project.

**L. Bring Down Certificate.** Two (2) Business Days prior to the Closing Date, the Borrower shall furnish CFC with a certificate of an Authorized Officer of the Borrower in the form of Exhibit B hereto, certifying that all of the representations and warranties set forth in Article II hereof are true on the Closing Date.

## ARTICLE V

## COVENANTS

**Section 5.01 Affirmative Covenants.** The Borrower covenants and agrees with CFC that until payment in full of the Note and performance of all obligations of the Borrower hereunder:

**A. Financial Ratios; Design of Rates.** The Borrower shall achieve an Average DSC Ratio of not less than 1.35. The Borrower shall not decrease its rates for electric service if it has failed to achieve a DSC Ratio of 1.35 for the calendar year prior to such reduction subject only to an order from a Governmental Authority properly exercising jurisdiction over the Borrower.

**B. Loan Proceeds.** The Borrower shall use the proceeds of this Loan solely for the purposes identified on Schedule 1 hereto.

C. **Notice.** The Borrower shall promptly notify CFC in writing of:

(i) any material adverse change in the business, operations, prospects, assets, liabilities or financial condition of the Borrower;

(ii) the institution or threat of any litigation or administrative proceeding of any nature involving the Borrower which could materially affect the business, operations, prospects, assets, liabilities or financial condition of the Borrower;

(iii) the occurrence of an Event of Default hereunder, or any event that, with the giving of notice or lapse of time, or both, would constitute an Event of Default.

D. **Default Notices.** Upon receipt of any notices with respect to a default by the Borrower under the terms of any evidence of any indebtedness with parties other than CFC or of any loan agreement, mortgage or other agreement relating thereto, the Borrower shall deliver copies of such notice to CFC.

E. **Annual Certificates.**

(i) Within one hundred twenty (120) days after the close of each calendar year, commencing with the year in which the initial Advance hereunder shall have been made, the Borrower will deliver to CFC a written statement, in form and substance satisfactory to CFC, signed by the Borrower's General Manager or Chief Executive Officer, stating that during such year, and that to the best of said person's knowledge, the Borrower has fulfilled all of its obligations under this Agreement, the Project Agreement, the Note, and the Mortgage throughout such year or, if there has been a default in the fulfillment of any such obligations, specifying each such default known to said person and the nature and status thereof.

(ii) The Borrower shall deliver to CFC within one hundred twenty (120) days of CFC's written request, which shall be no more frequently than once every year, a certification, in form and substance satisfactory to CFC, regarding the condition of the Mortgaged Property prepared by a professional engineer satisfactory to CFC. The Borrower shall also deliver to CFC such other information as CFC may reasonably request from time to time.

F. **Loan Capital Term Certificate Purchase.** The Borrower will purchase LCTCs, if required, in an amount calculated pursuant to CFC's policies of general application and shall pay for such LCTCs as required thereby. CFC's policies with respect to such LCTCs are set forth in Schedule 1.

G. **Financial Books; Financial Reports; Right of Inspection.** The Borrower will at all times keep, and safely preserve, proper books, records and accounts in which full and true entries will be made of all of the dealings, business and affairs of the Borrower, in accordance with Accounting Requirements. When requested by CFC, the Borrower will prepare and furnish CFC from time to time, periodic financial and statistical reports on its condition and operations. All of such reports shall be in such form and include such information as may be specified by CFC. Within one hundred twenty (120) days of the end of each calendar year during the term hereof, the Borrower shall furnish to CFC a full and complete report of its financial condition and statement of its operations as of the end of such calendar year, in form and substance satisfactory to CFC. In addition, within one hundred twenty (120) days of the end of each the Borrower's fiscal years during the term hereof, the Borrower shall furnish to CFC a full and complete consolidated and consolidating report of its financial condition and statement of its operations as of the end of such fiscal year,

audited and certified by independent certified public accountants nationally recognized or otherwise satisfactory to CFC and accompanied by a report of such audit in form and substance satisfactory to CFC, including without limitation a consolidated and consolidating balance sheet and the related consolidated and consolidating statements of income and cash flow. CFC, through its representatives, shall at all times during reasonable business hours and upon prior notice have access to, and the right to inspect and make copies of, any or all books, records and accounts, and any or all invoices, contracts, leases, payrolls, canceled checks, statements and other documents and papers of every kind belonging to or in the possession of the Borrower or in anyway pertaining to its property or business.

H. **Notice of Additional Secured Debt.** The Borrower will notify CFC promptly in writing if it incurs any additional secured indebtedness other than indebtedness to CFC or indebtedness otherwise provided for in the Mortgage.

I. **Funds Requisition.** The Borrower agrees (i) that CFC may rely conclusively upon the written instructions submitted to CFC in the Borrower's written request for an Advance hereunder, (ii) that such instructions shall constitute a covenant under this Agreement to repay the Advance in accordance with such instructions, the applicable Note, the Mortgage, the Project Agreement and this Agreement, and (iii) to request Advances only for the purposes set forth in Schedule 1 hereto.

J. **Compliance With Laws.** The Borrower and each Subsidiary shall remain in compliance, in all material respects, with all applicable requirements of law and applicable rules and regulations of each Governmental Authority.

K. **Taxes.** The Borrower shall pay, or cause to be paid all taxes, assessments or governmental charges lawfully levied or imposed on or against it and its properties prior to the time they become delinquent, except for any taxes, assessments or charges that are being contested in good faith and with respect to which adequate reserves as determined in good faith by the Borrower have been established and are being maintained.

L. **Further Assurances.** The Borrower shall execute any and all further documents, financing statements, agreements and instruments, and take all such further actions (including the filing and recording of financing statements, fixture filings, mortgages, deeds of trust and other documents), which may be required under any applicable law, or which CFC may reasonably request, to effectuate the transactions contemplated by the Loan Documents or to grant, preserve, protect or perfect the Liens created or intended to be created thereby. The Borrower also agrees to provide to CFC, from time to time upon request, evidence reasonably satisfactory to CFC as to the perfection and priority of the Liens created or intended to be created by the Loan Documents.

M. **Environmental Covenants.** Borrower shall:

(i) at its own cost, comply in all material respects with all applicable Environmental Laws, including, but not limited to, any required remediation; and

(ii) if it receives any written communication alleging Borrower's violation of any Environmental Law, provide CFC with a copy thereof within ten (10) Business Days after receipt, and promptly take appropriate action to remedy, cure, defend, or otherwise affirmatively respond to the matter.

N. **Limitations on Loans, Investments and Other Obligations.** The aggregate amount of all purchases, investments, loans, guarantees, commitments and other obligations described in

Section 5.02.D(i) of this Agreement shall at all times be less than fifteen percent (15%) of Total Utility Plant or fifty percent (50%) of Equity, whichever is greater.

**O. Tax Status of the CREBs.** The Borrower shall utilize the Project or cause it to be utilized as provided in the Project Agreement until the CREB Maturity Date. No use will be made of the proceeds of the CREBs other than as set forth herein and in the Project Agreement and no changes will be made in the Project or in the operation or beneficial use thereof (including, without limiting the generality of the foregoing, the use of the Project by the Borrower or any related person) without an opinion of Bond Counsel that such a use or change will not adversely affect the eligibility of the CREBs to qualify for a tax credit for the owner thereof, for federal income tax purposes. The Borrower agrees and warrants that it will not take or authorize or permit any action to be taken and has not taken or authorized or permitted any action to be taken and will not fail to take any action to comply with the Project Agreement which adversely affects the eligibility of the CREBs to qualify for a tax credit for the owner thereof, for federal income tax purposes. This agreement and warranty shall survive the termination of this Agreement.

**P. Completion Certificate.** The Borrower shall submit to CFC within 30 days after the completion of the Project, a Completion Certificate signed by an Authorized Officer of the Borrower.

**Q. Termination Certificate.** If the Borrower determines that the Project will not be completed as described in Section 5.01.P above, then the Borrower shall submit to CFC a Termination Certificate, within 30 days of a determination that:

(i) no further acquisition, construction or installation will occur with respect to the Project; and

(ii) the Borrower does not intend to make any further Advances.

**R. Other Information.** The Borrower shall furnish such other information as CFC may reasonably require relating to the Project.

**Section 5.02 Negative Covenants.** The Borrower covenants and agrees with CFC that until payment in full of the Note and performance of all obligations of the Borrower hereunder, the Borrower will not, directly or indirectly, without CFC's prior written consent:

**A. Limitations on Mergers.** Consolidate with, merge, or sell all or substantially all of its business or assets, or enter into an agreement for such consolidation, merger or sale, to another entity or person unless such action is either approved, as is evidenced by the prior written consent of CFC, or the purchaser, successor or resulting corporation is or becomes a member in good standing of CFC and assumes the due and punctual payment of the Note and the due and punctual performance of the covenants contained in the Mortgage and this Agreement.

**B. Limitations on Sale, Lease or Transfer of Capital Assets; Application of Proceeds.** Sell, lease or transfer (or enter into an agreement to sell, lease or transfer) any capital asset, except in accordance with this Section 5.02.B. If no Event of Default (and no event which with notice or lapse of time and notice would become an Event of Default) shall have occurred and be continuing, the Borrower may, without the prior written consent of CFC, sell, lease or transfer (or enter into an agreement to sell, lease or transfer) any capital asset in exchange for fair market value consideration paid to the Borrower if the value of such capital asset is less than five percent (5%) of Total Utility Plant and the aggregate value of capital assets sold, leased or transferred in any 12-month period is less than ten percent (10%) of Total Utility Plant.

**C. Limitation on Dividends, Patronage Refunds and Other Distributions.**

(i) Make Distributions in any calendar year if, after giving effect to the Distribution, the total Equity of the Borrower will be less than twenty percent (20%) of its Total Assets.

(ii) If, after giving effect to the Distribution, the total Equity of the Borrower will be less than twenty percent (20%) of its Total Assets, then the Borrower may nevertheless make Distributions of up to thirty percent (30%) of its total margins for the preceding calendar year.

(iii) Notwithstanding anything to the contrary in subparagraphs (i) and (ii) above, the Borrower shall not make any Distribution without the prior written consent of CFC if an Event of Default under this Agreement has occurred and is continuing.

**D. Limitations on Loans, Investments and Other Obligations.**

(i) (a) Purchase, or make any commitment to purchase, any stock, bonds, notes, debentures, or other securities or obligations of or beneficial interests in, (b) make, or enter into a commitment to make, any other investment, monetary or otherwise, in, (c) make, or enter into a commitment to make, any loan to, or (d) guarantee, assume, or otherwise become liable for, or enter into a commitment to guarantee, assume, or otherwise become liable for, any obligation of any Person if, after giving effect to such purchase, investment, loan, guarantee or commitment, the aggregate amount thereof would exceed the greater of fifteen percent (15%) of Total Utility Plant or fifty percent (50%) of Equity.

(ii) The following shall not be included in the limitation of purchases, investments, loans and guarantees in (i) above: (a) bonds, notes, debentures, stock, or other securities or obligations issued by or guaranteed by the United States or any agency or instrumentality thereof; (b) bonds, notes, debentures, stock, commercial paper, subordinated capital certificates, or any other security or obligation issued by CFC or by institutions whose senior unsecured debt obligations are rated by at least two nationally recognized rating organizations in either of their two highest categories; (c) investments incidental to loans made by CFC; (d) any deposit that is fully insured by the United States; (e) loans and grants made by any Governmental Authority to the Borrower under any rural economic development program, but only to the extent that such loans and grants are non-recourse to the Borrower; and (f) unretired patronage capital allocated to the Borrower by CFC, a cooperative from which the Borrower purchases electric power, or a statewide cooperative association of which Borrower is a member.

(iii) In no event may the Borrower take any action pursuant to subsection (i) if an Event of Default under this Agreement has occurred and is continuing,

**E. Organizational Change.** Change its type of organization or other legal structure, except as permitted by Section 5.02.A. hereof, in which case the Borrower shall provide at least 30 days prior written notice to CFC together with all documentation reflecting such change as CFC may reasonably require.

**F. Notice of Change in Borrower Information.** Change its (i) state of incorporation, (ii) legal name, (iii) mailing address, or (iv) organizational identification number, if it has one, unless the Borrower provides written notice to CFC at least thirty (30) days prior to the effective date of any such change together with all documentation reflecting any such change as CFC may reasonably require.

## ARTICLE VI

## EVENTS OF DEFAULT

**Section 6.01** The following shall be "Events of Default" under this Agreement:

**A. Representations and Warranties.** Any representation or warranty made by the Borrower herein, or in any of the other Loan Documents, or in any certificate or financial statement furnished to CFC hereunder or under any of the other Loan Documents shall prove to be false or misleading in any material respect.

**B. Payment.** The Borrower shall fail to pay (whether upon stated maturity, by acceleration, or otherwise) any principal, interest, premium (if any) or other amount payable under the Note and the Loan Documents within five (5) Business Days after the due date thereof.

**C. Other Covenants.**

(i) **No Grace Period.** Failure of the Borrower to observe or perform any covenant or agreement contained in the Project Agreement or in Sections 5.01.A, 5.01.B, 5.01.D, 5.01.E, 5.01.G, 5.01.I, 5.01.N, 5.01.O and 5.02 of this Agreement.

(ii) **Thirty Day Grace Period.** Failure of the Borrower to observe or perform any other covenant or agreement contained in this Agreement or any of the other Loan Documents, which shall remain unremedied for thirty (30) calendar days after written notice thereof shall have been given to the Borrower by CFC.

**D. Legal Existence, Permits and Licenses.** The Borrower shall forfeit or otherwise be deprived of (i) its authority to conduct business in the jurisdiction in which it is organized or in any other jurisdiction where such authority is required in order for the Borrower to conduct its business in such jurisdiction or (ii) permits, easements, consents or licenses required to carry on any material portion of its business.

**E. Other CFC Obligations.** The Borrower shall be in breach or default of any Obligation, which breach or default continues uncured beyond the expiration of any applicable grace period.

**F. Other Obligations.** The Borrower shall (i) fail to make any payment of any principal, premium or any other amount due or interest on any indebtedness with parties other than CFC which shall remain unpaid beyond the expiration of any applicable grace period, or (ii) be in breach or default with respect to any other term of any evidence of any other indebtedness with parties other than CFC or of any loan agreement, mortgage or other agreement relating thereto which breach or default continues uncured beyond the expiration of any applicable grace period, if the effect of such failure, default or breach is to cause the holder or holders of that indebtedness to cause that indebtedness to become or be declared due prior to its stated maturity (upon the giving or receiving of notice, lapse of time, both or otherwise).

**G. Involuntary Bankruptcy.** An involuntary case or other proceeding shall be commenced against the Borrower seeking liquidation, reorganization or other relief with respect to it or its debts under bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property and such involuntary case or other proceeding shall continue without dismissal or

stay for a period of sixty (60) days; or an order for relief shall be entered against the Borrower under the federal bankruptcy laws or applicable state law as now or hereafter in effect.

**H. Insolvency.** The Borrower shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall admit in writing its inability to, or be generally unable to, pay its debts as they become due, or shall take any action to authorize any of the foregoing.

**I. Dissolution or Liquidation.** Other than as provided in subsection H. above, the dissolution or liquidation of the Borrower, or failure by the Borrower promptly to forestall or remove any execution, garnishment or attachment of such consequence as will impair its ability to continue its business or fulfill its obligations and such execution, garnishment or attachment shall not be vacated within sixty (60) days. The term "dissolution or liquidation of the Borrower", as used in this subsection, shall not be construed to include the cessation of the corporate existence of the Borrower resulting either from a merger or consolidation of the Borrower into or with another corporation following a transfer of all or substantially all its assets as an entirety, under the conditions set forth in Section 5.02.A.

**J. Material Adverse Change.** Any material adverse change in the business or condition, financial or otherwise, of the Borrower.

**K. Monetary Judgment.** The Borrower shall suffer any money judgment not covered by insurance, writ or warrant of attachment or similar process involving an amount in excess of $100,000 and shall not discharge, vacate, bond or stay the same within a period of sixty (60) days.

**L. Nonmonetary Judgment.** One or more nonmonetary judgments or orders (including, without limitation, injunctions, writs or warrants of attachment, garnishment, execution, distraint, replevin or similar process) shall be rendered against the Borrower that, either individually or in the aggregate, could reasonably be expected to have a material adverse effect upon the business, operations, prospects, assets, liabilities or financial condition of the Borrower.

## ARTICLE VII

## REMEDIES

**Section 7.01** If any of the Events of Default listed in Section 6 hereof shall occur after the date of this Agreement and shall not have been remedied within the applicable grace periods specified therein, then CFC may:

(i) Cease making Advances hereunder;

(ii) Declare all unpaid principal outstanding on the Note, all accrued and unpaid interest thereon, and all other Obligations to be immediately due and payable and the same shall thereupon become immediately due and payable without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived;

(iii) Exercise rights of setoff or recoupment and apply any and all amounts held, or hereby held, by CFC or owed to the Borrower or for the credit or account of the Borrower against any and all of the Obligations of the Borrower now or hereafter existing hereunder or under the Note, including, but not limited to, patronage capital allocations and retirements, money due to Borrower from equity certificates purchased from CFC, and any membership or other fees that would otherwise be returned to Borrower but excluding any LCTCs purchased by the Borrower pursuant to this Agreement. The rights of CFC under this section are in addition to any other rights and remedies (including other rights of setoff or recoupment) which CFC may have. The Borrower waives all rights of setoff, deduction, recoupment or counterclaim;

(iv) Pursue all rights and remedies available to CFC that are contemplated by the Mortgage and the other Loan Documents in the manner, upon the conditions, and with the effect provided in the Mortgage and the other Loan Documents, including, but not limited to, a suit for specific performance, injunctive relief or damages;

(v) Pursue any other rights and remedies available to CFC at law or in equity.

Nothing herein shall limit the right of CFC to pursue all rights and remedies available to a creditor following the occurrence of an Event of Default. Each right, power and remedy of CFC shall be cumulative and concurrent, and recourse to one or more rights or remedies shall not constitute a waiver of any other right, power or remedy.

## ARTICLE VIII

## MISCELLANEOUS

**Section 8.01 Notices.** All notices, requests and other communications provided for herein including, without limitation, any modifications of, or waivers, requests or consents under, this Agreement shall be given or made in writing (including, without limitation, by telecopy) and delivered to the intended recipient at the "Address for Notices" specified below; or, as to any party, at such other address as shall be designated by such party in a notice to each other party. All such communications shall be deemed to have been duly given (i) when personally delivered including, without limitation, by overnight mail or courier service, (ii) in the case of notice by United States mail, certified or registered, postage prepaid, return receipt requested, upon receipt thereof, or (iii) in the case of notice by telecopy, upon transmission thereof, provided such transmission is promptly confirmed by either of the methods set forth in clauses (i) or (ii) above in each case given or addressed as provided for herein. The Address for Notices of each of the respective parties is as follows:

National Rural Utilities Cooperative Finance Corporation
2201 Cooperative Way
Herndon, Virginia 20171-3025
Attention: Senior Vice President – Member Services
Fax # 703-709-6776

The Borrower:

The address set forth in
Schedule 1 hereto

**Section 8.02 Expenses.** Borrower shall reimburse CFC for any reasonable costs and out-of-pocket expenses paid or incurred by CFC (including, without limitation, reasonable fees and expenses of outside attorneys, paralegals and consultants) for all actions CFC takes, (a) to enforce the payment of any Obligation, to effect collection of any Mortgaged Property, or in preparation for such enforcement or collection, (b) to institute, maintain, preserve, enforce and foreclose on CFC's security interest in or Lien on any of the Mortgaged Property, whether through judicial proceedings or otherwise, (c) to restructure any of the Obligations, (d) to review, approve or grant any consents or waivers hereunder, (e) to prepare, negotiate, execute, deliver, review, amend or modify this Agreement, (f) to prepare, negotiate, execute, deliver, review, amend or modify any other agreements, documents and instruments deemed necessary or appropriate by CFC in connection with any of the foregoing, and (g) to obtain any opinions required to be furnished upon a Determination of Tax Credit Ineligibility and an extraordinary prepayment as set forth in Section 3.04 hereof or a rescission of excess money as set forth in Section 3.05 or a cancellation of excess moneys as set forth in Section 3.06.

The amount of all such expenses identified in this Section 8.02 shall be secured by the Mortgage and shall be payable upon demand, and if not paid, shall accrue interest at the Default Rate.

**Section 8.03 Late Payments.** If payment of any amount due hereunder is not received at CFC's office in Herndon, Virginia, or such other location as CFC may designate to the Borrower within five (5) Business Days after the due date thereof, the Borrower will pay to CFC, in addition to all other amounts due under the terms of the Loan Documents, any late payment charge as may be fixed by CFC from time to time pursuant to its policies of general application as in effect from time to time.

**Section 8.04. Non-Business Day Payments.** If any payment to be made by the Borrower hereunder shall become due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall be included in computing any interest in respect of such payment.

**Section 8.05 Filing Fees.** To the extent permitted by law, the Borrower agrees to pay all expenses of CFC (including the reasonable fees and expenses of its counsel) in connection with the filing, registration, recordation or perfection of the Mortgage and any other security instruments as may be required by CFC in connection with this Agreement, including, without limitation, all documentary stamps, recordation and transfer taxes and other costs and taxes incident to execution, filing, registration or recordation of any document or instrument in connection herewith. The Borrower agrees to save harmless and indemnify CFC from and against any liability resulting from the failure to pay any required documentary stamps, recordation and transfer taxes, recording costs, or any other expenses incurred by CFC in connection with this Agreement. The provisions of this subsection shall survive the execution and delivery of this Agreement and the payment of all other amounts due under the Loan Documents.

**Section 8.06 Waiver; Modification.** No failure on the part of CFC to exercise, and no delay in exercising, any right or power hereunder or under the other Loan Documents shall operate as a waiver thereof, nor shall any single or partial exercise by CFC of any right hereunder, or any abandonment or discontinuance of steps to enforce such right or power, preclude any other or further exercise thereof or the exercise of any other right or power. No modification or waiver of any provision of this Agreement, the Note or the other Loan Documents and no consent to any departure by the Borrower therefrom shall in any event be effective unless the same shall be in writing by the

party granting such modification, waiver or consent, and then such modification, waiver or consent shall be effective only in the specific instance and for the purpose for which given.

**SECTION 8.07 GOVERNING LAW; SUBMISSION TO JURISDICTION; WAIVER OF JURY TRIAL.**

(A) THE PERFORMANCE AND CONSTRUCTION OF THIS AGREEMENT AND THE NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE COMMONWEALTH OF VIRGINIA.

(B) THE BORROWER HEREBY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF THE UNITED STATES COURTS LOCATED IN VIRGINIA AND OF ANY STATE COURT SO LOCATED FOR PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. THE BORROWER IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTIONS THAT IT MAY NOW OR HEREAFTER HAVE TO THE ESTABLISHING OF THE VENUE OF ANY SUCH PROCEEDINGS BROUGHT IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

(C) THE BORROWER AND CFC EACH HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

**SECTION 8.08 INDEMNIFICATION.** THE BORROWER HEREBY INDEMNIFIES AND AGREES TO HOLD HARMLESS, AND DEFEND CFC AND ITS MEMBERS, DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, ATTORNEYS AND REPRESENTATIVES (EACH AN "INDEMNITEE") FOR, FROM, AND AGAINST ALL CLAIMS, DAMAGES, LOSSES, LIABILITIES, COSTS, AND EXPENSES (INCLUDING, WITHOUT LIMITATION, COSTS AND EXPENSES OF LITIGATION AND REASONABLE ATTORNEYS' FEES) ARISING FROM ANY CLAIM OR DEMAND IN RESPECT OF THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS, THE MORTGAGED PROPERTY, OR THE TRANSACTIONS DESCRIBED IN THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS AND ARISING AT ANY TIME, WHETHER BEFORE OR AFTER PAYMENT AND PERFORMANCE OF ALL OBLIGATIONS UNDER THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS IN FULL, EXCEPTING ANY SUCH MATTERS ARISING SOLELY FROM THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF CFC OR ANY INDEMNITEE INCLUDING WITHOUT LIMITATION ANY DETERMINATION MADE OR OTHER ACTION TAKEN BY CFC PURSUANT TO SECTIONS 3.04, 3.05 and 3.06 OF THIS AGREEMENT. NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN SECTION 8.10 HEREOF, THE OBLIGATIONS IMPOSED UPON THE BORROWER BY THIS SECTION SHALL SURVIVE THE REPAYMENT OF THE NOTE, THE TERMINATION OF THIS AGREEMENT AND THE TERMINATION OR RELEASE OF THE LIEN OF THE MORTGAGE.

**Section 8.09 Complete Agreement.** This Agreement, together with the schedules to this Agreement, the Note and the other Loan Documents, and the other agreements and matters referred to herein or by their terms referring hereto, is intended by the parties as a final expression of their agreement and is intended as a complete statement of the terms and conditions of their agreement. In the event of any conflict in the terms and provisions of this Agreement and any other Loan Documents, the terms and provisions of this Agreement shall control.

**Section 8.10 Survival; Successors and Assigns.** All covenants, agreements, representations and warranties of the Borrower which are contained in this Agreement shall survive the execution and delivery to CFC of the Loan Documents and the making of the Loan hereunder and shall continue in full force and effect until all of the obligations under the Loan Documents have been paid in full. All covenants, agreements, representations and warranties of the Borrower which are contained in this Agreement shall inure to the benefit of the successors and assigns of CFC. The Borrower shall not have the right to assign its rights or obligations under this Agreement without the prior written consent of CFC, except as provided in Section 5.02.A hereof.

**Section 8.11 Use of Terms.** The use of the singular herein shall also refer to the plural, and vice versa.

**Section 8.12 Headings.** The headings and sub-headings contained in this Agreement are intended to be used for convenience only and do not constitute part of this Agreement.

**Section 8.13 Severability.** If any term, provision or condition, or any part thereof, of this Agreement, the Note or the other Loan Documents shall for any reason be found or held invalid or unenforceable by any governmental agency or court of competent jurisdiction, such invalidity or unenforceability shall not affect the remainder of such term, provision or condition nor any other term, provision or condition, and this Agreement, the Note and the other Loan Documents shall survive and be construed as if such invalid or unenforceable term, provision or condition had not been contained therein.

**Section 8.14 Binding Effect.** This Agreement shall become effective when it shall have been executed by both the Borrower and CFC and thereafter shall be binding upon and inure to the benefit of the Borrower and CFC and their respective successors and assigns.

**Section 8.15 Counterparts.** This Agreement may be executed in one or more counterparts, each of which will be deemed an original and all of which together will constitute one and the same document. Signature pages may be detached from the counterparts and attached to a single copy of this Agreement to physically form one document.

**Section 8.16 Disclosure.** This Agreement and any other Loan Document may be shared by CFC with such Persons as shall be required in order to facilitate the issuance of the CREBs, including, but not limited to, its attorneys, underwriters and investors in the CREBs.

**Section 8.17 Schedule 1.** Schedule 1 attached hereto is an integral part of this Agreement.

**IN WITNESS WHEREOF,** the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

SULPHUR SPRINGS VALLEY
ELECTRIC COOPERATIVE, INC.

(SEAL)

By: Gene Manning

Title: President

Attest: _____
~~Secretary~~
CREDEN W. HUBER
CHIEF EXECUTIVE OFFICER

NATIONAL RURAL UTILITIES
COOPERATIVE FINANCE CORPORATION

(SEAL)

By: Marianne Dusold
Assistant Secretary-Treasurer
MARIANNE L DUSOLD

Attest: _____
Assistant Secretary-Treasurer

CRAIG COLANTONI

## SCHEDULE 1

1. The purpose of this loan is to finance (i) the reimbursement of the cost of the Project of the Borrower, including any reasonable costs and expenses incurred by the Borrower in connection with financing the Project, as described and permitted by the terms of the Project Agreement and (ii) a portion of CFC's costs in issuing the CREBs as set forth in Section 3.02.A.

2. The Project of the Borrower being financed by the Loan (funded by proceeds of the CREBs) constitutes the following clean renewable energy facilities:

   Fort Huachuca Accommodation District Photovoltaic Solar Automobile Parking Shade Structure

   This project will place photovoltaic modules costing $280,000 each, that will produce 23 kW of electricity in the shade structures in the three Fort Huachuca Accommodation District schools. The PV structure will provide electricity to the respective school with excess power flowing to the Borrower's system.

3. Subject to the terms of this Agreement, CFC has agreed to loan to the Borrower from proceeds of the CREBs, an amount not to exceed $840,000.00 (the "CFC Commitment").

4. Draw Period shall mean the period beginning on the Closing Date and ending on the date that is five (5) years thereafter.

5. The Borrower shall not purchase the LCTCs or any portion thereof with funds from the Loan. The Borrower shall use its own funds or funds borrowed under another credit facility to purchase such LCTCs, subject to the CFC policies regarding LCTCs set forth in the following paragraph.

   **CFC Policies Regarding LCTCs:** (i) Any solvent Member of CFC with an outstanding LCTC purchased in connection with a loan from the proceeds of Securities may borrow the outstanding amount of the LCTC from CFC without a further credit review, for a term equal to or shorter than the maturity of the LCTC at a rate equal to the comparable rate charged by CFC for similarly classified loans; and (ii) any Member of CFC with an outstanding LCTC purchased in connection with a loan from the proceeds of Securities may sell such LCTC to another Member of CFC for consideration.

6. The Mortgage shall mean the Restated Mortgage and Security Agreement, dated as of December 6, 2007, between the Borrower and CFC, as it may have been supplemented, amended, consolidated, or restated from time to time.

7. The Note executed pursuant hereto is as follows:

| LOAN NUMBER | AMOUNT |
|---|---|
| AZ014-A-9040-CB001 | $840,000.00 |

8. The Subsidiaries of the Borrower referred to in Section 2.01.B. are: None

9. The date of the Borrower's balance sheet referred to in Section 2.01.H is June 30, 2006.

10. The Borrower's exact legal name is: Sulphur Springs Valley Electric Cooperative, Inc.

11. The Borrower's organizational type is: Corporation

12. The Borrower is organized under the laws of the state of: Arizona

13. The Borrower's organizational identification number is: 0038220-2

14. The place of business or, if more than one, the chief executive office of the Borrower referred to in Section 2.01.I is 311 East Wilcox, Sierra Vista, Arizona 85635.

15. The Governmental Authority referred to in Section 2.01.J. is: Arizona Corporation Commission

16. The address for notices to the Borrower referred to in Section 8.01 is 311 East Wilcox, Sierra Vista, Arizona 85635, Attention: General Manager, Fax: (520) 384-5223.

## Exhibit A - Funds Requisition Statement

Borrower Name & ID: Sulphur Springs Valley Electric Cooperative, Inc. (AZ014)
Loan Number: AZ014-A-9040-CB001
Loan Agreement and Project Agreement with CFC dated:
CREBs Series: 2008A
CFC CREBs Application #: 10
Name of Project: Fort Huachuca Accommodation District Photovoltaic Solar Automobile Parking Shade Structure
Funds Requisition Statement No.:

**Amount Requested:**
**Date Of Advance:**

**Disposition of Funds (wiring instructions):**

### Certification

Acting on behalf of the Borrower, I hereby certify that as of the date below: (1) I am duly authorized to make this certification and to request funds on the terms specified herein; (2) the Borrower has met all of the conditions contained in the Loan Agreement and the Project Agreement listed above governing the terms of this Advance that the Borrower is required to meet prior to an Advance of funds; (3) all of the representations and warranties contained in said Loan Agreement and Project Agreement are true and will continue to be true upon use of the funds as hereby requested; (4) no Event of Default, under the Loan Agreement or the Borrower's Mortgage, has occurred and is continuing; (5) I know of no other event that has occurred which, with the lapse of time and/or notification to CFC of such event, or after giving effect to this Advance, would become an Event of Default under the Loan Agreement or the Borrower's Mortgage; (6) the funds requested herein will be used only as a reimbursement for the purposes specified in the Loan Agreement and the Project Agreement; (7) the costs to be reimbursed by the funds requested herein are capital expenditures and have not previously been reimbursed under a previous Funds Requisition Statement; (8) the Borrower has secured sufficient funds to complete the Project; (9) any necessary permits and approvals required for the Project at this point have been obtained; (10) the Borrower is maintaining a file containing true and correct copies of invoices or bills of sale covering all items for which payment is sought by this request; (11) such costs have been incurred and paid by the Borrower in connection with the Project; (12) the Borrower is not using the funds requested hereby to make any payments of principal or interest due under the Loan Agreement; (13) no expenditure which is being reimbursed by the funds requested hereby was paid more than eighteen months after the later of (i) the date the expenditure is paid or (ii) the date the Project is placed in service, but in no event later than three years after the date the original expenditure was paid; and (14) set forth below is a table listing all of the major components of the Project, how much is being requested in this Funds Requisition Statement as an advance for certain components, how much has been

advanced on each component to date, the percentage of each component that is completed to date, and the purpose of the advance(s) being requested by this Funds Requisition Statement.

I hereby authorize CFC, for and on behalf of the Borrower, to forward this Funds Requisition Statement to the Trustee for disbursement of the Advance from the Project Account relating to the above Loan to the Borrower on the following terms, and hereby acknowledge and agree that such terms shall be binding upon Borrower under the provisions of the Loan Agreement governing this Advance:

| Project Component | Amount Expended to Date by Borrower | Amount Advanced to Date | Advance Amount Requested Herein | Percentage Complete |
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| Total | | | | |

Certified By:

_____ _____ _____

Signature Date Title of Authorized Officer

**PLEASE FAX TO 703-709-6776 ATTN: _____, Associate Vice President**

APPROVED:

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION

By: _____
Title: _____
Date: _____

**EXHIBIT B**

**BRING-DOWN CERTIFICATE**
**OF**
**BORROWER**

The undersigned, _____, duly qualified officers of SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (the *"Borrower"*), an Arizona corporation, hereby certify as follows:

1. The following documents have been duly executed, and delivered or accepted in the name and on behalf of the Borrower by the authorized officer or officers of the Borrower pursuant to, and in full compliance with, authority granted by the Board of Trustees/Directors of the Borrower:

| DOCUMENT | DATE | OTHER PARTY OR PARTIES |
|---|---|---|
| Loan Agreement (the *"Agreement"*) | _____, 200_ | National Rural Utilities Cooperative Finance Corporation (*"CFC"*) |
| Project Agreement (the *"Project Agreement"*) | _____, 200_ | |
| Note (the *"Note"*) | _____, 200_ | |

2. Each of the representations and warranties of the Borrower in the Loan Agreement and the Project Agreement are true and correct on and as of the date hereof (the *"Closing Date"*), and the Borrower has complied with all agreements and satisfied all conditions on its part to be observed or satisfied thereunder at or prior to the Closing Date.

IN WITNESS WHEREOF, the undersigned have hereunto set their signatures this ____ day of _____, 2008.

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

By _____
Title:

By _____
Title:

**EXHIBIT C**

**COMPLETION CERTIFICATE**
**OF**
**BORROWER**

Pursuant to the Loan Agreement dated as of _____ by and between SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (the "Borrower") and National Rural Utilities Cooperative Finance Corporation ("CFC") relating to CFC Loan Number AZ014-A-9040-CB001 (the "Loan Agreement"), the undersigned, _____, duly qualified officer of the Borrower, hereby certifies as follows:

(i) On [date of completion] all portions of the Project (as defined in the Loan Agreement) have been fully completed substantially in accordance with any plans and specifications therefore, as then amended; and

(ii) Amount advanced on the Loan (as defined in the Loan Agreement) and the use of the property financed, refinanced or reimbursed therefrom will not cause any of the representations or certifications contained in the Project Agreement (as defined in the Loan Agreement) to be untrue or result in a violation of any covenant in the Project Agreement.

IN WITNESS WHEREOF, the undersigned have hereunto set his/her signature this ____ day of _____, 20____.

SULPHUR SPRINGS VALLEY ELECTRIC
COOPERATIVE, INC.

By _____
Title:

**EXHIBIT D**

**TERMINATION CERTIFICATE OF BORROWER**

Pursuant to the Loan Agreement dated as of _____ by and between SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (the "Borrower") and National Rural Utilities Cooperative Finance Corporation ("CFC") relating to CFC Loan Number AZ014-A-9040-CB001 (the "Loan Agreement"), the undersigned, _____, duly qualified officer of the Borrower, hereby certifies as follows:

(i) all portions of the Project (as defined in the Loan Agreement) have not been fully completed substantially in accordance with any plans and specifications therefor, as then amended;

(ii) no further acquisition, construction or installation will occur with respect to the Project (as defined in the Loan Agreement); and

(iii) the Borrower does not intend to request any further Advances (as defined in the Loan Agreement) on the Loan (as defined in the Loan Agreement).

IN WITNESS WHEREOF, the undersigned have hereunto set his/her signature this ____ day of _____, 20____.

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

By _____
Title:

**SECURED PROMISSORY NOTE**

$280,000.00 dated as of 12/21/07

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC., an Arizona corporation (the "Borrower"), for value received, hereby promises to pay, without setoff, deduction, recoupment or counterclaim, to the order of NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION (the "Payee"), at its office in Herndon, Virginia office or such other location at its office in Herndon, Virginia or such other location as the Payee may designate to the Borrower, in lawful money of the United States, the principal sum of TWO HUNDRED EIGHTY THOUSAND AND 00/100 DOLLARS ($280,000.00), or such lesser sum of the aggregate unpaid principal amount of all advances made by the Payee pursuant to that certain Loan Agreement dated as of even date herewith between the Borrower and the Payee, as it may be amended from time to time (herein called the "Loan Agreement"), and to pay interest on all amounts remaining unpaid hereunder from the date of each advance in like money, at said office, at the rate and in amounts and payable on the dates provided in the Loan Agreement together with any other amount payable under the Loan Agreement. If not sooner paid, any balance of the principal amount and interest accrued thereon shall be due and payable on the Maturity Date.

This Note is secured under a Restated Mortgage and Security Agreement, dated of December 6, 2007 between the Borrower and the Payee, as it may have been or shall be supplemented, amended, consolidated or restated from time to time ("Mortgage"). This Note is one of the Notes referred to in, and has been executed and delivered pursuant to, the Loan Agreement.

The principal hereof and interest accrued thereon and any other amount due under the Loan Agreement may be declared to be forthwith due and payable in the manner, upon the conditions, and with the effect provided in the Mortgage or the Loan Agreement.

The Borrower waives demand, presentment for payment, notice of dishonor, protest, notice of protest, and notice of non-payment of this Note.

IN WITNESS WHEREOF the Borrower has caused this Note to be signed in its corporate name and its corporate seal to be hereunto affixed and to be attested by its duly authorized officers, all as of the day and year first above written.

SULPHUR SPRINGS VALLEY
ELECTRIC COOPERATIVE, INC.

(SEAL)

By: Gene Mannin

Title: President

Attest: _____
~~Secretary~~

CREDEN W. HUBER
CHIEF EXECUTIVE OFFICER

Loan No. AZ014-A-9041-CB001

**PROJECT AGREEMENT**

**OF**

**SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (THE *"BORROWER"*)**

DATED: as of December 21, 2007

The undersigned is a duly qualified officer of the Borrower named above and, as such officer, is familiar with (i) the properties, affairs and records of the Borrower, (ii) the issuance of the Securities (as hereinafter defined) and the use of the proceeds thereof as it relates to the Borrower and (iii) the Project, as hereinafter defined.

In connection with the issuance of the Clean Renewable Energy Bonds (Cooperative Renewable Energy Projects) Series 2008A (the *"Securities"*), being issued by the National Rural Utilities Cooperative Finance Corporation (the *"Issuer"*), the undersigned hereby certifies and covenants regarding the use of the proceeds of the Securities advanced to the Borrower, as follows:

1. General.

1.1 This Project Agreement is made pursuant to Section 54 of the Internal Revenue Code of 1986, as amended (the *"Code"*), and any United States Treasury regulations and other guidance thereunder to make the certifications required by Section 54 of the Code and any United Stares Treasury regulations and other guidance thereunder and to establish the reasonable expectations of the Borrower with respect to the amount and use of amounts to be advanced to the Borrower pursuant to the Loan Agreement dated as of even date herewith between the Issuer and the Borrower (the *"Loan Agreement"*). Capitalized terms used herein are defined where they first appear or are defined in *Exhibit A* attached hereto.

1.2 This Project Agreement is based on facts and estimates in existence on the date hereof and the continued veracity of these facts and estimates as of the date that the Securities are issued (the *"Closing"*) will be confirmed by the Borrower on the date of Closing, and on the basis of such facts and estimates, the Borrower expects that the events described herein will occur. To the best of the undersigned's knowledge, information, and belief, the expectations contained in this Project Agreement are reasonable.

1.3 The Borrower is a Qualified Borrower, as defined in *Exhibit A*, and is responsible for the acquiring/constructing/equipping of the Project (defined below). The undersigned has reviewed this Project Agreement, as well as the provisions of Section 54 of the Code and any United States Treasury regulations and other guidance thereunder, with its own legal counsel and understands and is familiar with this Project Agreement and the provisions of Section 54 and any United States Treasury regulations and other guidance thereunder. The Borrower will

comply in all respects with the provisions of Section 54 and any United States Treasury regulations and other guidance thereunder.

1.4 The Borrower agrees to keep and retain or cause to be kept and retained sufficient records to demonstrate compliance with the covenants in this Project Agreement. Such records shall include, but are not limited to, basic records relating to the issuance of the Securities (including this Project Agreement and the inducement resolution as described in Section 3.3 hereof); documentation evidencing the expenditure of amounts advanced to the Borrower pursuant to the Loan Agreement; documentation evidencing the use of property financed with amounts advanced to the Borrower pursuant to the Loan Agreement; and documentation evidencing all sources of payment or security maintained by the Borrower for amounts advanced to the Borrower pursuant to the Loan Agreement. Such records shall be kept until the date three (3) years after the CREB Maturity Date.

1.5 Neither the Borrower nor any Related Person (as defined in Exhibit A) to the Borrower will purchase any Securities.

2. Qualified Project.

2.1 The Loan Agreement requires the amounts advanced thereunder to be used for facilities to be owned by the Borrower, described in more detail in Section 2.2 hereof and in *Exhibit B* attached hereto as the "Updated Description of the Project" (the *"Project"*). The Project was originally described in an exhibit to the Application for National Clean Renewable Energy Bond Limitation submitted to the Internal Revenue Service by the Issuer in support of the national clean renewable energy bond allocation received by the Issuer, which "Original Description of the Project" is attached hereto as *Exhibit C*.

2.2 The Project is a Solar Energy Facility (the *"Qualifying Facility"*), as defined in *Exhibit A* and property functionally related and subordinate thereto, as further described in *Exhibit B*, attached hereto.

3. Clean Renewable Energy Bonds Qualification.

3.1 At least 95 percent of the proceeds advanced to the Borrower pursuant to the Loan Agreement will be used by the Borrower for capital expenditures with respect to the Project. None of the proceeds of the Loan (as defined in the Loan Agreement) will be paid to the Issuer, the Borrower or any Related Person to the Issuer or the Borrower, except for amounts paid to the Borrower to reimburse the Borrower for actual and direct expenditures relating to the Project paid by the Borrower to persons other than the Issuer, the Borrower or any Related Person to the Issuer or the Borrower.

3.2 The Borrower has incurred or will, within six months of the Closing Date, incur a substantial binding obligation (not subject to contingencies within the control of the Issuer, the Borrower or any Related Person to either of them) to a third party

to expend at least ten percent of the Loan Amount (*i.e.* the total amount to be advanced to the Borrower pursuant to the Loan Agreement). It is expected that the work of acquiring/constructing/equipping the Project and the expenditure of the Loan Amount will proceed with due diligence through November 10, 2008, at which time it is anticipated that the Loan Amount will have been spent in its entirety. The Borrower acknowledges that, to the extent that less than 95 percent of the Loan Amount is expended by a date five years from the date of issuance of the Securities, the Borrower will be required to prepay its Loan in an amount, and the Issuer will redeem Securities at the end of such five-year period in an amount, necessary to maintain the tax credit with respect to the Securities, unless otherwise permitted by Section 6.5 hereof.

It is expected that all amounts advanced to the Borrower under the Loan Agreement will be spent to pay costs of the Project in accordance with the estimated periodic drawdown schedule contained in *Exhibit D,* attached hereto. The assumptions set forth in this Section 3.2 and on *Exhibit D,* attached hereto, represent the Borrower's best estimate, as of this date, of the periodic drawdown schedule of the Loan Amount.

3.3 The Borrower may use amounts advanced to the Borrower under the Loan Agreement to reimburse itself for expenditures paid prior to the date of issuance of the Securities. The Borrower shall reimburse itself for expenditures paid prior to the date of issuance of the Securities only if such expenditure was paid after the Borrower adopted an inducement resolution, and the expenditure is described in such inducement resolution.

**The Borrower shall use proceeds of the Loan to reimburse itself for expenditures paid prior to the date the Securities were issued only if such reimbursement is made within eighteen months after the later of (i) the date the expenditure is paid or (ii) the date the Project is placed in service, but in no event later than three years after the date the original expenditure was paid.**

Except for any reimbursement allowed under this Section 3.3, no portion of the proceeds advanced to the Borrower will be used to pay for expenditures relating to acquiring existing facilities (as contrasted with costs of enhancements, repair or rehabilitation of existing facilities).

3.4 Neither the Project nor any portion thereof has been, is expected to be, or will be sold or otherwise disposed of, in whole or in part, prior to the last maturity date of the Securities.

3.5 The Borrower has entered into the Loan Agreement of even date hereof under which it is committed to borrow $280,000 from the Issuer of the Securities and the Borrower reasonably expects to borrow and expend the full amount of such commitment.

3.6 At least 75% of the Loan Amount is expected to be used for Construction Purposes.

3.7 The Borrower will not use proceeds of the Loan (i) to pre-pay for goods or services to be received over a period of years prior to the date such goods or services are to be received, or (ii) to pay for or otherwise acquire goods or services from an Affiliated Person, as defined in *Exhibit A*.

3.8 The Borrower shall at all times be a Qualified Borrower.

4. Remedial Action.

4.1 The Borrower agrees to operate the Project as a Qualifying Facility.

The Borrower acknowledges that if property financed with proceeds of the Securities advanced to the Borrower is operated in a manner other than as a Qualifying Facility such operation may constitute a "deliberate action" that may require remedial actions to prevent the tax credit being produced by the Securities from being disallowed.

The Borrower shall promptly contact the Issuer as provided in Section 6.3 hereof if it considers operating property financed with proceeds of the Loan other than as a Qualifying Facility.

4.2 The Borrower acknowledges that if property financed with proceeds of the Loan is sold or otherwise disposed of in a manner contrary to the provisions of Section 3.4 hereof, such sale or disposition may constitute a "deliberate action" that may require remedial actions to prevent the tax credit being produced by the Securities from being disallowed. If the Borrower considers the sale or other disposition of property financed with proceeds of the Loan, it shall promptly contact the Issuer, in the manner set forth in Section 6.3 hereof.

5. Funds and Accounts; Investments.

5.1 After the issuance of the Securities, neither the Borrower nor any Related Person to the Borrower has or will have any property, including cash, securities or any other property held as a passive vehicle for the production of income or for investment purposes, that constitutes:

(i) amounts that have a sufficiently direct nexus to the Securities or to the governmental purpose of the Securities to conclude that the amounts would have been used for that governmental purpose if the Securities were not used or to be used for that governmental purpose (the mere availability or preliminary earmarking of such amounts for a governmental purpose, however, does not itself establish such a sufficient nexus);

(ii) amounts in a debt service fund, redemption fund, reserve fund, replacement fund or any similar fund to the extent reasonably expected to be used directly or indirectly to pay principal of or interest on the Securities or any amounts for which there is provided, directly or indirectly, a reasonable assurance that the amount will be available to pay principal of or interest on the Securities or any credit enhancement or liquidity device with respect to the Securities, even if the Issuer, the Borrower or any Related Person to either of them encounter financial difficulties; or

(iii) any amounts held pursuant to any agreement (such as an agreement to maintain certain levels of types of assets) made for the benefit of the holders of the Securities or any credit enhancement provider, including any liquidity device or negative pledge (*e.g.*, any amount pledged to pay principal of or interest on an issue held under an agreement to maintain the amount at a particular level for the direct or indirect benefit of holders of the Securities or a guarantor of the Securities).

No compensating balance, liquidity account, negative pledge of property held for investment purposes required to be maintained at least at a particular level or similar arrangement exists with respect to, in any way, the Securities or any credit enhancement or liquidity device related to the Securities.

5.2 During the acquiring/constructing/equipping of the Project, the Borrower will only draw down amounts from the Issuer for capital expenditures already paid by the Borrower.

5.3 Neither the Borrower nor any Related Person to the Borrower will enter into any hedge (*e.g.*, an interest rate swap, interest rate cap, futures contract, forward contract or an option) with respect to the Loan or the Securities.

5.4 All property subject to the Mortgage is and will be used by the Borrower in the conduct of its trade or business. The Borrower reasonably expects to repay the Loan from current operating revenues. The Mortgage does not require that cash, securities, obligations, annuity contracts or other property held principally as a passive vehicle for the production of income be maintained, individually or collectively, at any particular level.

6. Miscellaneous.

6.1 This Project Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia.

6.2 Prior to the date 15 days before the Securities were sold, neither the Borrower nor any Related Person to the Borrower has sold or delivered any obligations that are reasonably expected to be paid out of substantially the same source of funds as the Securities. Neither the Borrower nor any Related Person to the Borrower will sell

or deliver within 15 days after the date hereof any obligations that are reasonably expected to be paid out of substantially the same source of funds as the Securities.

6.3 All notices provided for herein shall be given or made in writing (including, without limitation, by telecopy) and delivered to the Issuer at the "Address for Notices" specified below. All such communications shall be deemed to have been duly given (i) when personally delivered including, without limitation, by overnight mail or courier service, (ii) in the case of notice by United States mail, certified or registered, postage prepaid, return receipt requested, upon receipt thereof, or (iii) in the case of notice by telecopy, upon transmission thereof, provided such transmission is promptly confirmed by either of the methods set forth in clauses (i) or (ii) above in each case given or addressed as provided for herein. The Address for Notices of the Issuer is as follows:

National Rural Utilities Cooperative Finance Corporation
2201 Cooperative Way
Herndon, Virginia 20171-3025
Attention: Senior Vice President – Member Services
Fax #703-709-6776

6.4 The Borrower represents that it has not been contacted by the Internal Revenue Service or any issuer of bonds, the proceeds of which were loaned to the Borrower regarding any examination of any tax exempt bonds issued for the benefit of the Borrower. To the best of the knowledge of the Borrower, no such obligations of the Borrower are currently under examination by the Internal Revenue Service.

6.5 Any restriction or covenant contained herein need not be observed or may be changed if such nonobservance or change will not result in the loss of any tax credit under Section 54 of the Code for the purpose of federal income taxation to which the Securities is otherwise entitled and the Borrower receives an opinion of Bond Counsel to such effect and the Issuer agrees to such nonobservance or change.

6.6 If any clause, provision or section of this Project Agreement is ruled invalid by any court of competent jurisdiction, the invalidity of such clause, provision or section shall not affect any of the remaining clauses, sections or provisions hereof.

6.7 The terms, provisions, covenants and conditions of this Project Agreement shall bind and inure to the benefit of the respective successors and assigns of the Issuer and the Borrower.

6.8 This Project Agreement shall terminate on the date three (3) years after the CREB Maturity Date.

The undersigned acknowledge that this Project Agreement is given as a basis for an opinion of the law firm of Chapman and Cutler LLP, Chicago, Illinois, and such firm is hereby authorized to rely on this Project Agreement.

DATED as of the day and year first above written.

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

By Gene Manning

Title President

CFC DOC
AZ014-A-9041-CB001 (JABLONJ)
117512-1

## EXHIBIT A

## DEFINITIONS

*"Affiliated Person"* means any Person that (a) at any time during the six months prior to the Closing Date, (i) has more than five percent of the voting power of the governing body of the Issuer or the Borrower in the aggregate vested in its directors, officers, owners, and employees or (ii) has more than five percent of the voting power of its governing body in the aggregate vested in directors, officers, board members, owners, members or employees of the Issuer or the Borrower or (b) during the one-year period beginning six months prior to the Closing Date, (i) the composition of the governing body of which is modified or established to reflect (directly or indirectly) representation of the interests of the Issuer or the Borrower (or for which an agreement, understanding, or arrangement relating to such a modification or establishment during that one-year period) or (ii) the composition of the governing body of the Issuer or the Borrower is modified or established to reflect (directly or indirectly) representation of the interests of such Person (or for which an agreement, understanding, or arrangement relating to such a modification or establishment during that one-year period).

*"Bond Counsel"* means Chapman and Cutler LLP or any other nationally recognized firm of attorneys experienced in the field of municipal obligations whose opinions are generally accepted by purchasers of municipal obligations.

*"Closing Date"* means the date the Issuer issues the Securities.

*"Code"* means the Internal Revenue Code of 1986, as amended.

*"Constructed Personal Property"* means tangible personal property (or, if acquired pursuant to a single acquisition contract, properties) or Specially Developed Computer Software if (i) a substantial portion of the property or properties is completed more than six (6) months after the earlier of the date construction or rehabilitation commenced and the date the Borrower entered into an acquisition contract; (ii) based on the reasonable expectations of the Borrower, if any, or representations of the person constructing the property, with the exercise of due diligence, completion of construction or rehabilitation (and delivery to the issuer) could not have occurred within that six-month period; and (iii) if the Borrower itself builds or rehabilitates the property, not more than 75 percent of the capitalizable cost is attributable to property acquired by the Borrower (*e.g.*, components, raw materials, and other supplies).

*"Construction Purposes"* means capital expenditures that are allocable to the cost of Real Property or Constructed Personal Property. Except as provided in the next succeeding sentence, construction expenditures do not include expenditures for acquisitions of interests in land or other existing real property. Expenditures are not for the acquisition of an interest in existing real property other than land if the contract between the seller and the Borrower requires the seller to build or install the property (*e.g.*, a *turnkey contract*), but only to the extent that the property has not been built or installed at the time the parties enter into the contract.

*"Control"* means the possession, directly or indirectly through others, of either of the following discretionary and non-ministerial rights or powers over another entity (i) to approve and to remove without cause a controlling portion of the governing body of a Controlled Entity, or (ii) to require the use of funds or assets of a Controlled Entity for any purpose.

*"Controlled Entity"* means any entity or one of a group of entities that is subject to Control by a Controlling Entity or group of Controlling Entities.

*"Controlled Group"* means a group of entities directly or indirectly subject to Control by the same entity or group of entities, including the entity that has the Control of the other entities.

*"Controlling Entity"* means any entity or one of a group of entities directly or indirectly having Control of any entities or group of entities.

*"CREB Maturity Date"* shall have the meaning ascribed to it in the Loan Agreement.

*"Governmental Body"* means any State, territory, possession of the United States, the District of Columbia, Indian tribal government, and any political subdivision thereof.

*"Mortgage"* means the mortgage and security agreement applicable to substantially all of the property of the Borrower.

*"Qualified Borrower"* means (i) a mutual or cooperative electric company described in Sections 501(c)(12) or 1381(a)(2)(C) of the Code, or (ii) a Governmental Body (as defined above).

*"Real Property"* means land and improvements to land, such as buildings or other inherently permanent structures, including interests in real property. For example, real property includes wiring in a building, plumbing systems, central heating or air-conditioning systems, pipes or ducts, elevators, escalators installed in a building, paved parking areas, roads, wharves and docks, bridges, and sewage lines.

*"Related Person"* means any member of the same Controlled Group as the Issuer or the Borrower and any person related to the Issuer or a Borrower within the meaning of Section 144(a)(3) of the Code.

*"Solar Energy Facility"* means a facility using solar energy to produce electricity.

*"Specially Developed Computer Software"* means any programs or routines used to cause a computer to perform a desired task or set of tasks, and the documentation required to describe and maintain those programs, provided that the software is specially developed and is functionally related and subordinate to real property or other constructed personal property.

*"Tangible Personal Property"* means any tangible property other than real property, including interests in tangible personal property. For example, tangible personal property

includes machinery that is not a structural component of a building, subway cars, fire trucks, automobiles, office equipment, testing equipment, and furnishings.

## EXHIBIT B

## UPDATED DESCRIPTION OF THE PROJECT

| | |
|---|---|
| CFC Application | No. 11 Sulphur Springs Valley EC, Inc. |
| Bond Proceeds Needed for Project: | $280,000 |
| Bond Allocation Requested and Received: | $280,000 |
| Name of Project | McNeal Elementary District Photovoltaic Solar Automobile Parking Shade Structure |
| Project Street Address | McNeal Elementary School<br>3979 McNeal Street<br>McNeal, AZ 85617 |
| Phone | (520) 642-3356 |
| Fax | (520) 642-3356 |
| County | Cochise County |
| Individual Name to Contact | Jack Blair |
| Company Name | Sulphur Springs Valley Electric Cooperative, Inc. |
| Street Address | 311 E. Wilcox Drive |
| City, State, Zip | Sierra Vista, AZ 85635 |
| Telephone Number | (520) 515-3470 |
| Fax | (520) 458-3467 |

Updated Detailed Description of the Project:

A cantilevered shade structure at a school on the top of which will be constructed a 23kW solar photovoltaic system to supply power to the school. Excess power will flow on to the SSVEC system.

## EXHIBIT C

## ORIGINAL DESCRIPTION OF THE PROJECT

## [COPY OF EXHIBIT A TO ISSUER APPLICATION TO THE IRS]
## CLEAN RENEWABLE ENERGY BONDS APPLICATION
## EXHIBIT A

## SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

## MCNEAL ELEMENTARY DISTRICT PHOTOVOLTAIC SOLAR SHADE STRUCTURE

This project will place a photovoltaic module costing $280,000, that will produce 23 kW of electricity in the shade structure in the one McNeal Elementary District school. The PV structure will provide electricity to the respective school at no charge. There will also be a cable connection to a computer in the library of each school to show students how the system is working.

This project is the identical project that Navopache Electric Cooperative in Arizona built in 2001 that continues to function with no issues/problems.

SSVEC will operate and maintain the structure. Any excess power produced will flow back to the SSVEC grid.

The PV structures at the schools will significantly reduce their electric bills, which have been disproportionately large due to the per meter monthly surcharges mandated by the Environmental Portfolio Program (EPP), and approved by the Arizona Corporation Commission. All customers pay the EPP fees to SSVEC, which uses them to fund renewable energy projects. Since each school has many meters, they pay the EPP a disproportionately large amount of dollars. The benefit of reduced electric bills will offset their payments into the fund.

The RFP issued by Sulphur Springs Valley Electric Cooperative follows.

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.
A TOUCHSTONE ENERGY® COOPERATIVE

FOR THE ELECTRIC COOPERATIVES IN THE STATE OF ARIZONA

# REQUEST
# A
# PROPOSAL

FOR

## A PHOTOVOLTAIC SYSTEM
## USED FOR
## SHADE STRUCTURES
## FOR
## PUBLIC BUILDINGS

ISSUED: AUGUST 1, 2005

Narrative: The Electric Cooperatives in Arizona (Duncan Valley EC, Graham County EC, Mohave EC, Navopache EC, Sulphur Springs Valley EC, Trico EC and Arizona Electric Power Cooperative, Inc.) request a proposal for a modular designed system to supply a lOkW to30 kW Photovoltaic (PV) system. System size is relative to the space available for the PV panels on each site. System may consist of multiple free standing modules interconnected to meet the 10 to30 kW size requirement. Modules to be used as free standing carports or free standing covers for walkways to provide shade. These systems are to be used at public buildings to increase the awareness of PV systems and operations and systems will be sized based on the available space. Base pricing for 10, 15, 20, 25, and 30 kW systems are requested (systems may be rounded to the nearest 5kW increment). The interconnection cost from the PV system to nearest distribution panel will be on a case by case basis due to the variation in sites. This RFP is not all inclusive and contractor may include other specifications or requirements they feel are necessary for a successful venture.

This RFP is released on August 1, 2005 and response must be in a written proposal by October 1, 2005. For questions or clarification of details please contact Albert Gomez (520-515-3473) or David Bane (520-515-3472).

SCOPE OF WORK - THE CONTRACTOR WILL BE RESPONSIBLE FOR THE FOLLOWING:

- Structural design of the supporting PV structures (carport and walkway)
- One line circuit diagrams for approval by local Cooperative's engineering department
- Complete wiring diagrams (to be included in owner manual)
- Isolation transformers as needed to meet the NEC
- Purchase and installation of all components
- Systems test period of 4-6 weeks prior to transfer of title of equipment to site owner

- Any required Permits (Cooperative will reimburse actual cost of permits)
- Meter socket on the A/C output of the inverter(s)
- Interconnection with Customers electric service
- Fencing around inverters and other equipment as required for security and public safety
- Project to meet or exceed SunWatts standards
- Basic training for site owner / site operator
- Operators Manual

THE COOPERATIVE WILL PROVIDE THE FOLLOWING:

- Meter to measure AC output from PV system to owners electric panel
- Written permission from site owner to build the PV Module
- Act as the point of contact with the installation Contractor on behalf of the site owner

STRUCTURAL DESIGN REQUIREMENTS:

The basic structure is to support the PV cells but must be able to work as a carport with all the required clearances. Support should be in a cantilever style to allow easy parking, spacing on vertical supports should be in multiples of 10 feet to be able to match typical parking lot spacing, height should allow the parking of full size passenger vans, and structure does not have to be water proof (providing shade to vehicles is secondary to the production of energy). Sample profile (to show intent not required design) is on page 4. Ideal structure would have the ability to support PV panels that would be effective if the long side of the structure is in a North-South as well as East-West orientation.

PV DESIGN REQUIREMENTS:

- PV panels shall have warranty for a minimum of 15 years to cover rated output (output degradation not to exceed 20% over life of panel)
- All system components will be UL certified
- System will include isolation transformers per section 250-30 of the NEC
- Polyphase inverter with voltage to match customer's system
- Inverter to match capacity of project
- 15 year manufacturers warranty on Inverter (contractor may use an extended warranty insurance policy to meet 15 year requirement)
- Contractor will warranty repair labor at 100% for first 5 years, 66% of labor for second 5 years, and 33% of labor for remaining 5 years, (limited to warranty repairs)
- Interconnection costs from site of PV system to nearest practical distribution panel will be on a case by case basis, (site selection process will keep this as short as possible)

SUNWATTS REQUIREMENTS:

- One-line drawings subject to approval by local Cooperative's engineering department
- Units to operate in parallel with grid
- Includes protection for out of frequency problems

## EXHIBIT D

## MONTHLY DRAWDOWN SCHEDULE OF AMOUNTS TO BE ADVANCED TO THE BORROWER PURSUANT TO THE LOAN AGREEMENT

| DATE ON WHICH PROCEEDS ARE EXPECTED TO BE EXPENDED | AMOUNTS OF PROCEEDS TO BE EXPENDED |
|---|---|
| November 10, 2008 | $280,000 |

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

To

NATIONAL RURAL UTILITIES
COOPERATIVE FINANCE CORPORATION
Issuer

# LOAN AGREEMENT

Dated as of 12/21, 2007

Clean Renewable Energy Bonds
(Cooperative Renewable Energy Projects) Series 2008A
of National Rural Utilities Cooperative Finance Corporation

CFC LOANAG
AZ014-A-9041-CB001 (JABLONJ)
117580-2

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## LOAN AGREEMENT

**LOAN AGREEMENT** (this "Agreement") dated as of _____, between SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. ("Borrower"), a corporation organized and existing under the laws of the State of Arizona and NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION ("CFC"), a cooperative association organized and existing under the laws of the District of Columbia.

## RECITALS

**WHEREAS,** the Borrower has applied to CFC for a loan for the purposes set forth in Schedule 1 hereto, and CFC is willing to make such a loan to the Borrower on the terms and conditions stated herein; and

**WHEREAS,** the Borrower has agreed to execute a promissory note to evidence an indebtedness in the aggregate principal amount of the CFC Commitment (as hereinafter defined).

**NOW, THEREFORE,** for and in consideration of the premises and the mutual covenants hereinafter contained, the parties hereto agree and bind themselves as follows:

## ARTICLE I

## DEFINITIONS

**Section 1.01** For purposes of this Agreement, the following capitalized terms shall have the following meanings (such definitions to be equally applicable to the singular and the plural form thereof). Capitalized terms that are not defined herein shall have the meanings as set forth in the Mortgage.

**"Accounting Requirements"** shall mean any system of accounts prescribed by a federal regulatory authority having jurisdiction over the Borrower or, in the absence thereof, the requirements of GAAP applicable to businesses similar to that of the Borrower.

**"Advance"** shall mean each advance of funds by CFC to the Borrower pursuant to the terms and conditions of this Agreement, including the Initial Advance and the Primary Advance.

**"Authorized Officer of the Borrower"** means the Chairman, General Manager or Chief Financial Officer of the Borrower or any other person authorized by the Board of the Borrower so to act or any other person performing a function similar to the function performed by any such officer or authorized person.

**"Average DSC Ratio"** shall mean the average of the Borrower's two highest annual DSC Ratios during the most recent three calendar years.

**"Bond Counsel"** means an attorney at law or a firm of attorneys (designated by CFC and acceptable to the Trustee) of nationally recognized standing in matters pertaining to the tax-exempt nature of interest or tax credits on bonds issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of any state of the United States of America.

**"Business Day"** shall mean any day that both CFC and the depository institution CFC utilizes for funds transfers hereunder are open for business.

**"CFC Commitment"** shall have the meaning as defined in Schedule 1.

**"CFC CREB Rate"** shall mean the interest rate charged by CFC for loans made by CFC from proceeds of the CREBs which rate shall not exceed one hundred and fifty basis points (150/100 of 1%) per annum.

**"Closing Date"** shall mean the date CFC issues the CREBs.

**"Code"** shall mean the Internal Revenue Code of 1986, as supplemented and amended.

**"Completion Certificate"** shall mean the certificate of the Borrower required by Section 5.01.P of this Agreement, substantially in the form of Exhibit C hereto.

**"CREBs"** shall mean the series of Securities issued by CFC to provide financing for the Project.

**"CREB Maturity Date"** shall mean the maturity date of the CREBs, which shall be the December 15th prior to the Maximum CREB Term Anniversary Date.

**"Debt Service Coverage ("DSC") Ratio"** shall mean the ratio determined as follows: for any calendar year add (i) Operating Margins, (ii) Non-Operating Margins--Interest, (iii) Interest Expense, (iv) Depreciation and Amortization Expense, and (v) cash received in respect of generation and transmission and other capital credits, and divide the sum so obtained by the sum of all payments of Principal and Interest Expense required to be made during such calendar year; provided, however, that in the event that any amount of Long-Term Debt has been refinanced during such year, the payments of Principal and Interest Expense required to be made during such year on account of such refinanced amount of Long-Term Debt shall be based (in lieu of actual payments required to be made on such refinanced amount of Long-Term 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 payment of Principal and Interest Expense required to be made during the following year on account of such refinancing debt.

**"Default Rate"** shall mean a rate per annum equal to one hundred and fifty basis points (150/100 of 1%).

**"Depreciation and Amortization Expense"** shall mean an amount constituting the depreciation and amortization of the Borrower computed pursuant to Accounting Requirements.

**"Determination of Tax Credit Ineligibility"** shall mean a determination that a particular series of Securities does not qualify for a tax credit for the owner thereof under Section 54 of the Code, which determination shall be deemed to have been made upon the occurrence of the first to occur of the following:

(a) the date on which CFC determines that there is a significant likelihood that a particular series of Securities may not qualify for a tax credit, if such determination is supported by a written opinion of Bond Counsel to that effect; or

(b) the date on which CFC shall receive notice in writing that the Trustee has been advised by the owner of any Security that a particular series of Securities does not qualify for a tax credit for the owner thereof, based upon a final determination made either by: (A) the Internal Revenue Service in a published or private ruling or technical advice memorandum or (B) any court of competent jurisdiction in the United States of America, as a result of a failure by CFC or any borrower to observe any agreement or representation in the Tax Compliance Agreement or a Loan Agreement or Project Agreement relating to the proceeds of the Securities. Any such determination will not be considered final for this purpose unless the Owner of the Securities involved in the proceeding or action resulting in the determination (i) gives CFC and the Trustee prompt written notice of the commencement thereof and (ii) if CFC agrees to pay all expenses in connection therewith and to indemnify such Owner of the Securities against all liabilities in connection therewith, offers CFC an opportunity to contest the determination, either directly or in the name of the Owner of the Securities, and until conclusion of any review, if sought.

**"Distributions"** shall mean, with respect to the Borrower, any dividend, patronage refund, patronage capital retirement or cash distribution to its members, or consumers (including but not limited to any general cancellation or abatement of charges for electric energy or services furnished by the Borrower). The term "Distribution" shall *not* include (a) a distribution by the Borrower to the estate of a deceased patron, (b) repayment by the Borrower of a membership fee upon termination of a membership, or (c) any rebate to a patron resulting from a cost abatement received by the Borrower, such as a reduction of wholesale power cost previously incurred.

**"Draw Period"** shall have the meaning as described in Schedule 1 hereto.

**"Environmental Laws"** shall mean all laws, rules and regulations promulgated by any Governmental Authority, with which Borrower is required to comply, regarding the use, treatment, discharge, storage, management, handling, manufacture, generation, processing, recycling, distribution, transport, release of or exposure to any Hazardous Material.

**"Equity"** shall mean the aggregate of the Borrower's equities and margins computed pursuant to Accounting Requirements.

**"Event of Default"** shall have the meaning as described in Article VI hereof.

**"Funds Requisition Statement"** shall mean the certificate of the Borrower, in the form set forth as Exhibit A to this Agreement, by which the Borrower will obtain an advance of funds from CFC under the Loan.

**"GAAP"** shall mean generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board.

**"Governmental Authority"** shall mean the government of the United States of America, any other nation or government, any state or other political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

**"Hazardous Material"** shall mean any (a) petroleum or petroleum products, radioactive materials, asbestos-containing materials, polychlorinated biphenyls, lead and radon gas, and (b) any

other substance designated as hazardous or toxic or as a pollutant or contaminant under any Environmental Law.

**"Indenture"** shall mean the Indenture between CFC and U.S. Bank Trust Company National Association, relating to the first issue of Securities, pursuant to which the Securities, including the CREBs are issued, as supplemented and amended.

**"Initial Advance"** shall mean the Advance made by CFC on the Closing Date pursuant to Section 3.02.A hereof to fund a portion of CFC's costs in issuing the CREBs attributable to the CFC Commitment, including, but not limited to, original issue discount, underwriting discount and other costs of issuance, including, without limitation, rating agency costs and legal, underwriting and Trustee expenses.

**"Interest Expense"** shall mean an amount constituting the interest expense with respect to Long-Term Debt of the Borrower computed pursuant to Accounting Requirements. 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 Restricted Rentals paid by the Borrower over 2% of the Borrower's Equity.

**"Lien"** shall mean any statutory or common law consensual or non-consensual mortgage, pledge, security interest, encumbrance, lien, right of set off, claim or charge of any kind, including, without limitation, any conditional sale or other title retention transaction, any lease transaction in the nature thereof and any secured transaction under the Uniform Commercial Code.

**"Loan"** shall mean the loan made by CFC to the Borrower, pursuant to this Agreement and the Note, in an aggregate principal amount not to exceed the CFC Commitment.

**"Loan Capital Term Certificate" or "LCTC"** shall mean a certificate, or book entry form of account, evidencing the Borrower's purchase of equity in CFC.

**"Loan Documents"** shall mean this Agreement, the Note, the Mortgage, the Project Agreement and all other documents or instruments executed, delivered or executed and delivered by the Borrower and evidencing, securing, governing or otherwise pertaining to, the Loan.

**"Long-Term Debt"** shall mean an amount constituting the long-term debt of the Borrower computed pursuant to Accounting Requirements.

**"Maturity Date"** shall mean the Payment Date immediately prior to the CREB Maturity Date permitted for the CREBs under Section 54(e)(2) of the Code as in effect on the Closing Date.

**"Maximum CREB Term Anniversary Date"** shall mean the anniversary of the Closing Date that occurs at the maximum term permitted for the CREBs under Section 54(e)(2) of the Code as in effect on the Closing Date.

**"Mortgage"** shall have the meaning as described in Schedule 1 hereto.

**"Mortgaged Property"** shall have the meaning ascribed to it in the Mortgage.

**"Non-Operating Margins--Interest"** shall mean the amount representing the interest component of non-operating margins of the Borrower computed pursuant to Accounting Requirements.

**"Note"** shall mean the secured promissory note, payable to the order of CFC, executed by the Borrower, dated as of even date herewith, pursuant to this Agreement as identified on Schedule 1 hereto and shall include any substitute note or modification thereto.

**"Obligations"** shall mean any and all liabilities, obligations or indebtedness owing by the Borrower to CFC, of any kind or description, irrespective of whether for the payment of money, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising.

**"Operating Margins"** shall mean the amount of patronage capital and operating margins of the Borrower computed pursuant to Accounting Requirements.

**"Payment Date"** shall mean the first (1st) day of each of March, June and September and December.

**"Payment Notice"** shall mean a notice furnished by CFC to the Borrower that indicates the amount of each payment of interest or interest and principal and the total amount of each payment due.

**"Permitted Encumbrances"** shall have the meaning ascribed to it in the Mortgage.

**"Person"** shall mean natural persons, cooperatives, corporations, limited liability companies, limited partnerships, general partnerships, limited liability partnerships, joint ventures, associations, companies, trusts or other organizations, irrespective of whether they are legal entities, and Governmental Authorities.

**"Primary Advance"** shall mean the Advance made by CFC to the Borrower pursuant to Section 3.02.B hereof two Business Days after the Closing Date to reimburse Borrower for costs of the Project.

**"Principal"** shall mean the amount of principal billed on account of Long-Term Debt of the Borrower computed pursuant to Accounting Requirements.

**"Project"** shall mean the project being financed pursuant to the Loan, as further described in Schedule 1.

**"Project Account"** means an account created pursuant to the Indenture within the Project Fund related to the CREBs.

**"Project Agreement"** shall mean the Project Agreement, dated as of even date herewith, executed by the Borrower with respect to the Project and the CREBs.

**"Project Fund"** means the Project Fund created and identified as such in the Indenture.

**"Restricted Rentals"** shall mean all rentals required to be paid under finance leases and charged to income, exclusive of any amounts paid under any such lease (whether or not designated therein as rental or additional rental) for maintenance or repairs, insurance, taxes, assessments, water rates or similar charges. For the purpose of this definition the term "finance lease" shall mean any lease having a rental term (including the term for which such lease may be renewed or extended at the option of the lessee) in excess of three (3) years and covering property having an initial cost in excess of $250,000 other than automobiles, trucks, trailers, other vehicles (including without

limitation aircraft and ships), office, garage and warehouse space and office equipment (including without limitation computers).

**"Securities"** shall mean one or more series of clean renewable energy bonds issued by CFC under the Indenture.

**"Subsidiary"** as to any Person, shall mean a corporation, partnership, limited partnership, limited liability company or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise qualified, all references to a "Subsidiary" or to "Subsidiaries" in this Agreement shall refer to a Subsidiary or Subsidiaries of the Borrower.

**"Tax Compliance Agreement"** means a tax compliance certificate and agreement of CFC with respect to a series of Securities, as accepted by the Trustee, as amended.

**"Termination Certificate"** shall mean the certificate of the Borrower required by Section 5.01.Q of this Agreement, substantially in the form of Exhibit D hereto.

**"Total Assets"** shall mean an amount constituting the total assets of the Borrower computed pursuant to Accounting Requirements.

**"Total Utility Plant"** shall mean the amount constituting the total utility plant of the Borrower computed pursuant to Accounting Requirements.

**"Trustee"** shall mean U.S. Bank Trust Company National Association and its successors and assigns.

## ARTICLE II

## REPRESENTATIONS AND WARRANTIES

**Section 2.01** The Borrower represents and warrants to CFC that as of the date of this Agreement:

**A. Good Standing.** The Borrower is duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization, is duly qualified to do business and is in good standing in those states in which it is required to be qualified to conduct its business. The Borrower is a member in good standing of CFC.

**B. Subsidiaries and Ownership.** Schedule 1 hereto sets forth a complete and accurate list of the Subsidiaries of the Borrower showing the percentage of the Borrower's ownership of the outstanding stock, membership interests or partnership interests, as applicable, of each Subsidiary.

**C. Authority; Validity.** The Borrower has the power and authority to enter into this Agreement, the Note, the Project Agreement and the Mortgage; to make the borrowing hereunder; to execute and deliver all documents and instruments required hereunder and to incur and perform the obligations provided for herein, in the Note, in the Project Agreement and in the Mortgage, all of which have been duly authorized by all necessary and proper action; and no consent or approval of

any Person, including, as applicable and without limitation, members of the Borrower, which has not been obtained is required as a condition to the validity or enforceability hereof or thereof.

Each of this Agreement, the Note, the Project Agreement and the Mortgage is, and when fully executed and delivered will be, legal, valid and binding upon the Borrower and enforceable against the Borrower in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity.

**D. No Conflicting Agreements.** The execution and delivery of the Loan Documents and performance by the Borrower of the obligations thereunder, and the transactions contemplated hereby or thereby, will not: (i) violate any provision of law, any order, rule or regulation of any court or other agency of government, any award of any arbitrator, the articles of incorporation or by-laws of the Borrower, or any indenture, contract, agreement, mortgage, deed of trust or other instrument to which the Borrower is a party or by which it or any of its property is bound; or (ii) be in conflict with, result in a breach of or constitute (with due notice and/or lapse of time) a default under, any such award, indenture, contract, agreement, mortgage, deed of trust or other instrument, or result in the creation or imposition of any Lien (other than contemplated hereby) upon any of the property or assets of the Borrower.

The Borrower is not in default in any material respect under any agreement or instrument to which it is a party or by which it is bound and no event or condition exists which constitutes a default, or with the giving of notice or lapse of time, or both, would constitute a default under any such agreement or instrument.

**E. Taxes.** The Borrower, and each of its Subsidiaries, has filed or caused to be filed all federal, state and local tax returns which are required to be filed and has paid or caused to be paid all federal, state and local taxes, assessments, and governmental charges and levies thereon, including interest and penalties to the extent that such taxes, assessments, and governmental charges and levies have become due, except for such taxes, assessments, and governmental charges and levies which the Borrower or any Subsidiary is contesting in good faith by appropriate proceedings for which adequate reserves have been set aside.

**F. Licenses and Permits.** The Borrower has duly obtained and now holds all licenses, permits, certifications, approvals and the like necessary to own and operate its property and business that are required by Governmental Authorities and each remains valid and in full force and effect.

**G. Litigation.** There are no outstanding judgments, suits, claims, actions or proceedings pending or, to the knowledge of the Borrower, threatened against or affecting the Borrower, its Subsidiaries or any of their respective properties which, if adversely determined, either individually or collectively, would have a material adverse effect upon the business, operations, prospects, assets, liabilities or financial condition of the Borrower or its Subsidiaries. The Borrower and its Subsidiaries are not, to the Borrower's knowledge, in default or violation with respect to any judgment, order, writ, injunction, decree, rule or regulation of any Governmental Authority which would have a material adverse effect upon the business, operations, prospects, assets, liabilities or financial condition of the Borrower or its Subsidiaries.

**H. Financial Statements.** The balance sheet of the Borrower as at the date identified in Schedule 1 hereto, the statement of operations of the Borrower for the period ending on said date, and the interim financial statements of the Borrower, all heretofore furnished to CFC, are complete and correct. Said balance sheet fairly presents the financial condition of the Borrower as at said date

and said statement of operations fairly reflects its operations for the period ending on said date. The Borrower has no contingent obligations or extraordinary forward or long-term commitments except as specifically stated in said balance sheet or herein. There has been no material adverse change in the financial condition or operations of the Borrower from that set forth in said financial statements except changes disclosed in writing to CFC prior to the date hereof.

I. **Borrower's Legal Status.** Schedule 1 hereto accurately sets forth: (i) the Borrower's exact legal name, (ii) the Borrower's organizational type and jurisdiction of organization, (iii) the Borrower's organizational identification number or accurate statement that the Borrower has none, and (iv) the Borrower's place of business or, if more than one, its chief executive office as well as the Borrower's mailing address if different.

J. **Required Approvals.** Other than the CREBs allocation received from the Internal Revenue Service, no license, consent or approval of any Governmental Authority is required to enable the Borrower to enter into this Agreement, the Project Agreement, the Note and the Mortgage, or to perform any of its Obligations provided for in such documents, including without limitation (and if applicable), that of any state public utilities commission, any state public service commission, and the Federal Energy Regulatory Commission, except as disclosed in Schedule 1 hereto, all of which the Borrower has obtained prior to the date hereof.

K. **Compliance With Laws.** The Borrower and each Subsidiary is in compliance, in all material respects, with all applicable requirements of law and all applicable rules and regulations of each Governmental Authority.

L. **Disclosure.** To the Borrower's knowledge, information and belief, neither this Agreement nor any document, certificate or financial statement furnished to CFC by or on behalf of the Borrower in connection herewith (all such documents, certificates and financial statements, taken as a whole) contains any untrue statement of a material fact or omits to state any material fact necessary in order to make the statements contained herein and therein not misleading.

M. **No Other Liens.** As to property which is presently included in the description of Mortgaged Property, the Borrower has not, without the prior written approval of CFC, executed or authenticated any security agreement or mortgage, or filed or authorized any financing statement to be filed with respect to assets owned by it, other than security agreements, mortgages and financing statements in favor of CFC, except as disclosed in writing to CFC prior to the date hereof or relating to Permitted Encumbrances.

N. **Environmental Matters.** Except as to matters which individually or in the aggregate would not have a material adverse effect upon the business or financial condition of the Borrower or its Subsidiaries, (i) Borrower is in compliance with all Environmental Laws (including, but not limited to, having any required permits and licenses), (ii) there have been no releases (other than releases remediated in compliance with Environmental Laws) from any underground or aboveground storage tanks (or piping associated therewith) that are or were present at the Mortgaged Property, (iii) Borrower has not received written notice or claim of any violation of any Environmental Law, (iv) there is no pending investigation of Borrower in regard to any Environmental Law, and (v) to the best of Borrower's knowledge, there has not been any release or contamination (other than releases or contamination remediated in compliance with Environmental Laws) resulting from the presence of Hazardous Materials on property owned, leased or operated by the Borrower.

O. **Project Agreement.** As set forth in the Project Agreement, the Project constitutes "a qualified project" as defined in Section 54(d)(2)(A) of the Code. As set forth in the Project Agreement,

the Borrower constitutes currently, and will remain through the period that the CREBs remain outstanding, "a Qualified Borrower", meaning a (i) mutual or cooperative electric company described in Sections 501(c)(12) or 1381(a)(2)(C) of the Code, or (ii) a Governmental Body, which is defined as any state, territory possession of the U.S., the District of Columbia, Indian tribal government, and any political subdivision thereof. The statements, information and descriptions contained in the Project Agreement are true, correct and complete, and do not contain any untrue statement or misleading statement of a material fact, and do not omit to state a material fact required to be stated therein or necessary to make the statements, information and descriptions contained therein, in the light of the circumstances under which they were made, not misleading, and the estimates and the assumptions contained in the Project Agreement are reasonable and based on the best information available to the Borrower.

## ARTICLE III

## LOAN

**Section 3.01 Definitions.** For purposes of this Article 3, the following capitalized terms shall have the following meanings:

**"Borrower's Annual Bond Repayment Amount"** shall mean the amount determined by dividing the CFC Commitment by the number of years from the Closing Date to the Maximum CREB Term Anniversary Date, which amount shall be recalculated on the date CFC rescinds any excess moneys pursuant to Section 3.05 or 3.06 hereof.

**"Quarterly Bond Deposit Amount"** shall mean for each Payment Date, the amount determined by subtracting from the Quarterly Bond Repayment Amount the principal amount payable by the Borrower pursuant to Section 3.03.A(ii)(b)(1) on such Payment Date.

**"Quarterly Bond Repayment Amount"** shall mean one-fourth (¼) of the Borrower's Annual Bond Repayment Amount.

**Section 3.02 Advances.** The obligation of the Borrower to repay the Advances shall be evidenced by the Note. The aggregate amount of all Advances made hereunder shall not exceed the CFC Commitment. At the end of the Draw Period, CFC shall have no further obligation to make Advances.

**A. Initial Advance.** Borrower hereby agrees that on the Closing Date, CFC shall automatically, and without action by Borrower, make the Initial Advance. On the Closing Date, CFC shall notify Borrower of the final amount of the Initial Advance and the amount of the CFC Commitment remaining for Borrower to subsequently Advance.

**B. Subsequent Advances.**

(i) The Borrower may submit a request for the Primary Advance to CFC in writing (which may be submitted by facsimile) no later than 12:00 noon local time at CFC's offices in Herndon, Virginia seven Business Days prior to the Closing Date. The Primary Advance may be requested in any amount up to the CFC Commitment. CFC shall make the Primary Advance two Business Days after the Closing Date in the lesser of (i) the aggregate amount of such requested Primary Advance, and (ii) the amount of the CFC Commitment less the amount of the Initial Advance.

(ii) Except as set forth in 3.02.A and 3.02.B(i) hereof, the Borrower shall submit its request for an Advance to CFC in writing (which may be submitted by facsimile) no later than 12:00 noon local time at CFC's offices in Herndon, Virginia at least two (2) Business Days prior to the last Business Day of any calendar month. Borrower may make multiple requests for Advances during any calendar month in any amount so long as the aggregate amount of all Advances requested in such month is in an amount not less than $100,000.00; *provided, however* that at such time as there remains less than $100,000.00 available for Advance hereunder, Borrower may request the entirety of such remaining amount. CFC shall make a single Advance to Borrower on the first Business Day of the calendar month following Borrower's request(s) for an Advance. Such Advance shall be in the aggregate amount of all Advances requested by Borrower in the prior month, *provided however* that at such time as there remains less than $100,000.00 available for Advance hereunder and Borrower requests the entirety of such remaining amount, CFC shall Advance the entirety of such remaining amount.

**Section 3.03 Interest Rate and Payment.** The Note shall be payable and bear interest as follows:

**A. Payments; Maturity; Amortization.**

(i) The Note shall be due and payable on the Maturity Date.

(ii) On each Payment Date, the Borrower shall promptly pay the following:

(a) accrued interest on the principal amount of the Loan outstanding less the amount of the Initial Advance; and

(b) the Quarterly Bond Repayment Amount, consisting of:

(1) the principal amount due on any outstanding Advances, determined on the basis of a quarterly amortization schedule from the date of each Advance; and

(2) the Quarterly Bond Deposit Amount.

(iii) If not sooner paid, any amount due on account of the unpaid principal, interest accrued thereon and fees, if any, shall be due and payable on the Maturity Date.

(iv) Each Advance shall amortize on a level principal payment basis from the date thereof through the Maturity Date.

(v) CFC will furnish to the Borrower a Payment Notice at least ten (10) days before each Payment Date, provided, however, that CFC's failure to send a Payment Notice shall not constitute a waiver by CFC or be deemed to relieve the Borrower of its obligation to make payments as and when due as provided for herein.

(vi) No provision of this Agreement or of any Note shall require the payment, or permit the collection, of interest in excess of the highest rate permitted by applicable law.

Borrower agrees that the records of, and all computations by, CFC (in whatever media they are recorded or maintained) as to the amount of principal, interest, fees and Quarterly Bond Deposit Amount due on the Loan shall be conclusive in the absence of manifest error.

**B. Application of Payments.** Each payment shall be applied to the Loan, first to any fees, costs, expenses or charges other than interest or principal, second to interest accrued, third to the Quarterly Bond Deposit Amount and the balance to principal.

**C. Application of Bond Repayment Deposit.** At such time as the aggregate amount billed by CFC in any calendar year on account of amortized principal under this Agreement exceeds the Borrower's Annual Bond Repayment Amount for such year, CFC shall apply a portion of the Borrower's prior payments of the Quarterly Bond Deposit Amount in the amount of such overage to principal then due. Until such time, Borrower's payments of the Quarterly Bond Deposit Amount shall not reduce the amount of principal outstanding and subject to amortization. Any amount paid by the Borrower under this Agreement on account of the Quarterly Bond Deposit Amount in excess of the principal amount of the fully advanced Loan shall be refunded to the Borrower on the Maturity Date.

**D. Interest Rate Computation.** Each Advance except the Initial Advance shall bear interest at the CFC CREB Rate which shall apply until the Maturity Date. The Initial Advance shall not bear interest. Interest on Advances shall be computed on the basis of a 30-day month and 360-day year.

**Section 3.04. Extraordinary Obligation to Prepay.** Upon a Determination of Tax Credit Ineligibility that subjects the CREBs to an extraordinary mandatory redemption due to a failure of the Borrower to observe any agreement or representation in this Loan Agreement (as more particularly described in paragraph (b) of the defined term "Determination of Tax Credit Ineligibility"), the Borrower shall prepay the Loan, or such part thereof as determined by CFC, at such times and in such amounts as determined by CFC within sixty (60) days of such determination together with a prepayment premium prescribed by CFC pursuant to its policies of general application in effect from time to time.

**Section 3.05. Rescission of Excess Moneys; Fee.** If the Borrower has not drawn down the full amount of the CFC Commitment at (i) the time of filing the Completion Certificate under Section 5.01P. hereof, (ii) the time of filing the Termination Certificate under 5.01Q. hereof, (iii) a Determination of Tax Credit Ineligibility or (iv) the end of the Draw Period, a corresponding rescission of the amount of principal available to be drawn on the Note as calculated by CFC shall automatically be made without further action by the Borrower. CFC shall release the Borrower from its obligations hereunder as to such rescinded portion, provided the Borrower complies with such terms and conditions as CFC may impose for such release including, without limitation, payment of any rescission fee that CFC may from time to time prescribe, pursuant to its policies of general application.

**Section 3.06. Cancellation of Excess Moneys.** If the Borrower has not drawn down the full amount of the CFC Commitment at the time CFC determines that it will cease making Advances hereunder pursuant to Section 7.01 hereof, a corresponding cancellation of the amount of principal available to be drawn on the Note as calculated by CFC shall automatically be made without action by the Borrower.

**Section 3.07. Default Rate.** If Borrower defaults on its obligation to make a payment due hereunder by the applicable Payment Date, and such default continues for thirty days thereafter, then

beginning on the thirty-first day after the Payment Date and for so long as such default continues, Advances shall bear interest at the Default Rate.

**Section 3.08. Patronage Capital; Interest Rate Discounts.** No patronage capital shall be earned, and no interest rate discounts shall apply, to the Loan.

**Section 3.09. Optional Prepayment.** Except for prepayments made pursuant to Section 3.04 hereof, no prepayment of any Advance, in whole or in part, may be made by the Borrower.

## ARTICLE IV

## CONDITIONS OF LENDING

**Section 4.01** The obligation of CFC to make any Advance hereunder is subject to satisfaction of the following conditions in form and substance satisfactory to CFC:

**A. Legal Matters.** All legal matters incident to the consummation of the transactions hereby contemplated shall be satisfactory to counsel for CFC.

**B. Documents.** CFC shall have been furnished with (i) the executed Loan Documents, (ii) certified copies of all such organizational documents and proceedings of the Borrower authorizing the transactions hereby contemplated as CFC shall require, (iii) an opinion of counsel for the Borrower addressing such legal matters as CFC shall reasonably require, and (iv) all other such documents as CFC may reasonably request.

**C. Government Approvals.** The Borrower shall have furnished to CFC true and correct copies of all certificates, authorizations, consents, permits and licenses from Governmental Authorities necessary for the execution or delivery of the Loan Documents or performance by the Borrower of the obligations thereunder.

**D. Representations and Warranties.** The representations and warranties contained in Article II shall be true on the date of the making of each Advance hereunder with the same effect as though such representations and warranties had been made on such date; no Event of Default and no event which, with the lapse of time or the notice and lapse of time would become such an Event of Default, shall have occurred and be continuing or will have occurred after giving effect to each Advance on the books of the Borrower; there shall have occurred no material adverse change in the business or condition, financial or otherwise, of the Borrower; and nothing shall have occurred which in the opinion of CFC materially and adversely affects the Borrower's ability to perform its obligations hereunder.

**E. Mortgage Recordation.** The Mortgage (and any amendments, supplements or restatements as CFC may require from time to time) shall have been duly filed, recorded or indexed in all jurisdictions necessary (and in any other jurisdiction that CFC shall have reasonably requested) to provide CFC a lien, subject to Permitted Encumbrances, on all of the Borrower's real property, all in accordance with applicable law, and the Borrower shall have paid all applicable taxes, recording and filing fees and caused satisfactory evidence thereof to be furnished to CFC.

**F. UCC Filings.** Uniform Commercial Code financing statements (and any continuation statements and other amendments thereto that CFC shall require from time to time) shall have been duly filed, recorded or indexed in all jurisdictions necessary (and in any other jurisdiction that CFC

shall have reasonably requested) to provide CFC a perfected security interest, subject to Permitted Encumbrances, in the Mortgaged Property which may be perfected by the filing of a financing statement, all in accordance with applicable law, and the Borrower shall have paid all applicable taxes, recording and filing fees and caused satisfactory evidence thereof to be furnished to CFC.

G. **Requisitions.** The Borrower will requisition each Advance by submitting its written requisition to CFC in the form attached as Exhibit A hereto. Requisitions for Advances shall be made only for the purposes set forth in Schedule 1 hereto.

H. **Other Information.** The Borrower shall have furnished such other information as CFC may reasonably require, including but not limited to (i) information regarding the specific purpose for an Advance and the use thereof, (ii) feasibility studies, cash flow projections, financial analyses and pro forma financial statements sufficient to demonstrate to CFC's reasonable satisfaction that after giving effect to the Advance requested, the Borrower shall continue to achieve the DSC ratio set forth in Section 5.01.A herein, to meet all of its debt service obligations, and otherwise to perform and to comply with all other covenants and conditions set forth in this Agreement, and (iii) any other information as CFC may reasonably request. CFC's obligation to make any Advance hereunder is conditioned upon prior receipt and approval of the Borrower's written requisition and other information and documentation, if any, as CFC may have requested pursuant to this paragraph.

I. **Issuance of Bonds.** CFC shall have issued CREBs in an amount not less than the CFC Commitment.

J. **CREB Allocation**. CFC shall have received an allocation in the amount of the CFC Commitment from the U.S. Department of Treasury for the Borrower's Project under its Securities program.

K. **Tax Credit Ineligibility.** There shall have occurred no Determination of Tax Credit Ineligibility with regard to the Borrower or the Project.

L. **Bring Down Certificate.** Two (2) Business Days prior to the Closing Date, the Borrower shall furnish CFC with a certificate of an Authorized Officer of the Borrower in the form of Exhibit B hereto, certifying that all of the representations and warranties set forth in Article II hereof are true on the Closing Date.

## ARTICLE V

## COVENANTS

**Section 5.01 Affirmative Covenants.** The Borrower covenants and agrees with CFC that until payment in full of the Note and performance of all obligations of the Borrower hereunder:

A. **Financial Ratios; Design of Rates.** The Borrower shall achieve an Average DSC Ratio of not less than 1.35. The Borrower shall not decrease its rates for electric service if it has failed to achieve a DSC Ratio of 1.35 for the calendar year prior to such reduction subject only to an order from a Governmental Authority properly exercising jurisdiction over the Borrower.

B. **Loan Proceeds.** The Borrower shall use the proceeds of this Loan solely for the purposes identified on Schedule 1 hereto.

C. **Notice.** The Borrower shall promptly notify CFC in writing of:

(i) any material adverse change in the business, operations, prospects, assets, liabilities or financial condition of the Borrower;

(ii) the institution or threat of any litigation or administrative proceeding of any nature involving the Borrower which could materially affect the business, operations, prospects, assets, liabilities or financial condition of the Borrower;

(iii) the occurrence of an Event of Default hereunder, or any event that, with the giving of notice or lapse of time, or both, would constitute an Event of Default.

D. **Default Notices.** Upon receipt of any notices with respect to a default by the Borrower under the terms of any evidence of any indebtedness with parties other than CFC or of any loan agreement, mortgage or other agreement relating thereto, the Borrower shall deliver copies of such notice to CFC.

E. **Annual Certificates.**

(i) Within one hundred twenty (120) days after the close of each calendar year, commencing with the year in which the initial Advance hereunder shall have been made, the Borrower will deliver to CFC a written statement, in form and substance satisfactory to CFC, signed by the Borrower's General Manager or Chief Executive Officer, stating that during such year, and that to the best of said person's knowledge, the Borrower has fulfilled all of its obligations under this Agreement, the Project Agreement, the Note, and the Mortgage throughout such year or, if there has been a default in the fulfillment of any such obligations, specifying each such default known to said person and the nature and status thereof.

(ii) The Borrower shall deliver to CFC within one hundred twenty (120) days of CFC's written request, which shall be no more frequently than once every year, a certification, in form and substance satisfactory to CFC, regarding the condition of the Mortgaged Property prepared by a professional engineer satisfactory to CFC. The Borrower shall also deliver to CFC such other information as CFC may reasonably request from time to time.

F. **Loan Capital Term Certificate Purchase.** The Borrower will purchase LCTCs, if required, in an amount calculated pursuant to CFC's policies of general application and shall pay for such LCTCs as required thereby. CFC's policies with respect to such LCTCs are set forth in Schedule 1.

G. **Financial Books; Financial Reports; Right of Inspection.** The Borrower will at all times keep, and safely preserve, proper books, records and accounts in which full and true entries will be made of all of the dealings, business and affairs of the Borrower, in accordance with Accounting Requirements. When requested by CFC, the Borrower will prepare and furnish CFC from time to time, periodic financial and statistical reports on its condition and operations. All of such reports shall be in such form and include such information as may be specified by CFC. Within one hundred twenty (120) days of the end of each calendar year during the term hereof, the Borrower shall furnish to CFC a full and complete report of its financial condition and statement of its operations as of the end of such calendar year, in form and substance satisfactory to CFC. In addition, within one hundred twenty (120) days of the end of each the Borrower's fiscal years during the term hereof, the Borrower shall furnish to CFC a full and complete consolidated and consolidating report of its financial condition and statement of its operations as of the end of such fiscal year,

audited and certified by independent certified public accountants nationally recognized or otherwise satisfactory to CFC and accompanied by a report of such audit in form and substance satisfactory to CFC, including without limitation a consolidated and consolidating balance sheet and the related consolidated and consolidating statements of income and cash flow. CFC, through its representatives, shall at all times during reasonable business hours and upon prior notice have access to, and the right to inspect and make copies of, any or all books, records and accounts, and any or all invoices, contracts, leases, payrolls, canceled checks, statements and other documents and papers of every kind belonging to or in the possession of the Borrower or in anyway pertaining to its property or business.

**H. Notice of Additional Secured Debt.** The Borrower will notify CFC promptly in writing if it incurs any additional secured indebtedness other than indebtedness to CFC or indebtedness otherwise provided for in the Mortgage.

**I. Funds Requisition.** The Borrower agrees (i) that CFC may rely conclusively upon the written instructions submitted to CFC in the Borrower's written request for an Advance hereunder, (ii) that such instructions shall constitute a covenant under this Agreement to repay the Advance in accordance with such instructions, the applicable Note, the Mortgage, the Project Agreement and this Agreement, and (iii) to request Advances only for the purposes set forth in Schedule 1 hereto.

**J. Compliance With Laws.** The Borrower and each Subsidiary shall remain in compliance, in all material respects, with all applicable requirements of law and applicable rules and regulations of each Governmental Authority.

**K. Taxes.** The Borrower shall pay, or cause to be paid all taxes, assessments or governmental charges lawfully levied or imposed on or against it and its properties prior to the time they become delinquent, except for any taxes, assessments or charges that are being contested in good faith and with respect to which adequate reserves as determined in good faith by the Borrower have been established and are being maintained.

**L. Further Assurances.** The Borrower shall execute any and all further documents, financing statements, agreements and instruments, and take all such further actions (including the filing and recording of financing statements, fixture filings, mortgages, deeds of trust and other documents), which may be required under any applicable law, or which CFC may reasonably request, to effectuate the transactions contemplated by the Loan Documents or to grant, preserve, protect or perfect the Liens created or intended to be created thereby. The Borrower also agrees to provide to CFC, from time to time upon request, evidence reasonably satisfactory to CFC as to the perfection and priority of the Liens created or intended to be created by the Loan Documents.

**M. Environmental Covenants.** Borrower shall:

(i) at its own cost, comply in all material respects with all applicable Environmental Laws, including, but not limited to, any required remediation; and

(ii) if it receives any written communication alleging Borrower's violation of any Environmental Law, provide CFC with a copy thereof within ten (10) Business Days after receipt, and promptly take appropriate action to remedy, cure, defend, or otherwise affirmatively respond to the matter.

**N. Limitations on Loans, Investments and Other Obligations.** The aggregate amount of all purchases, investments, loans, guarantees, commitments and other obligations described in

Section 5.02.D(i) of this Agreement shall at all times be less than fifteen percent (15%) of Total Utility Plant or fifty percent (50%) of Equity, whichever is greater.

**O. Tax Status of the CREBs.** The Borrower shall utilize the Project or cause it to be utilized as provided in the Project Agreement until the CREB Maturity Date. No use will be made of the proceeds of the CREBs other than as set forth herein and in the Project Agreement and no changes will be made in the Project or in the operation or beneficial use thereof (including, without limiting the generality of the foregoing, the use of the Project by the Borrower or any related person) without an opinion of Bond Counsel that such a use or change will not adversely affect the eligibility of the CREBs to qualify for a tax credit for the owner thereof, for federal income tax purposes. The Borrower agrees and warrants that it will not take or authorize or permit any action to be taken and has not taken or authorized or permitted any action to be taken and will not fail to take any action to comply with the Project Agreement which adversely affects the eligibility of the CREBs to qualify for a tax credit for the owner thereof, for federal income tax purposes. This agreement and warranty shall survive the termination of this Agreement.

**P. Completion Certificate.** The Borrower shall submit to CFC within 30 days after the completion of the Project, a Completion Certificate signed by an Authorized Officer of the Borrower.

**Q. Termination Certificate.** If the Borrower determines that the Project will not be completed as described in Section 5.01.P above, then the Borrower shall submit to CFC a Termination Certificate, within 30 days of a determination that:

(i) no further acquisition, construction or installation will occur with respect to the Project; and

(ii) the Borrower does not intend to make any further Advances.

**R. Other Information.** The Borrower shall furnish such other information as CFC may reasonably require relating to the Project.

**Section 5.02 Negative Covenants.** The Borrower covenants and agrees with CFC that until payment in full of the Note and performance of all obligations of the Borrower hereunder, the Borrower will not, directly or indirectly, without CFC's prior written consent:

**A. Limitations on Mergers.** Consolidate with, merge, or sell all or substantially all of its business or assets, or enter into an agreement for such consolidation, merger or sale, to another entity or person unless such action is either approved, as is evidenced by the prior written consent of CFC, or the purchaser, successor or resulting corporation is or becomes a member in good standing of CFC and assumes the due and punctual payment of the Note and the due and punctual performance of the covenants contained in the Mortgage and this Agreement.

**B. Limitations on Sale, Lease or Transfer of Capital Assets; Application of Proceeds.** Sell, lease or transfer (or enter into an agreement to sell, lease or transfer) any capital asset, except in accordance with this Section 5.02.B. If no Event of Default (and no event which with notice or lapse of time and notice would become an Event of Default) shall have occurred and be continuing, the Borrower may, without the prior written consent of CFC, sell, lease or transfer (or enter into an agreement to sell, lease or transfer) any capital asset in exchange for fair market value consideration paid to the Borrower if the value of such capital asset is less than five percent (5%) of Total Utility Plant and the aggregate value of capital assets sold, leased or transferred in any 12-month period is less than ten percent (10%) of Total Utility Plant.

**C. Limitation on Dividends, Patronage Refunds and Other Distributions.**

(i) Make Distributions in any calendar year if, after giving effect to the Distribution, the total Equity of the Borrower will be less than twenty percent (20%) of its Total Assets.

(ii) If, after giving effect to the Distribution, the total Equity of the Borrower will be less than twenty percent (20%) of its Total Assets, then the Borrower may nevertheless make Distributions of up to thirty percent (30%) of its total margins for the preceding calendar year.

(iii) Notwithstanding anything to the contrary in subparagraphs (i) and (ii) above, the Borrower shall not make any Distribution without the prior written consent of CFC if an Event of Default under this Agreement has occurred and is continuing.

**D. Limitations on Loans, Investments and Other Obligations.**

(i) (a) Purchase, or make any commitment to purchase, any stock, bonds, notes, debentures, or other securities or obligations of or beneficial interests in, (b) make, or enter into a commitment to make, any other investment, monetary or otherwise, in, (c) make, or enter into a commitment to make, any loan to, or (d) guarantee, assume, or otherwise become liable for, or enter into a commitment to guarantee, assume, or otherwise become liable for, any obligation of any Person if, after giving effect to such purchase, investment, loan, guarantee or commitment, the aggregate amount thereof would exceed the greater of fifteen percent (15%) of Total Utility Plant or fifty percent (50%) of Equity.

(ii) The following shall not be included in the limitation of purchases, investments, loans and guarantees in (i) above: (a) bonds, notes, debentures, stock, or other securities or obligations issued by or guaranteed by the United States or any agency or instrumentality thereof; (b) bonds, notes, debentures, stock, commercial paper, subordinated capital certificates, or any other security or obligation issued by CFC or by institutions whose senior unsecured debt obligations are rated by at least two nationally recognized rating organizations in either of their two highest categories; (c) investments incidental to loans made by CFC; (d) any deposit that is fully insured by the United States; (e) loans and grants made by any Governmental Authority to the Borrower under any rural economic development program, but only to the extent that such loans and grants are non-recourse to the Borrower; and (f) unretired patronage capital allocated to the Borrower by CFC, a cooperative from which the Borrower purchases electric power, or a statewide cooperative association of which Borrower is a member.

(iii) In no event may the Borrower take any action pursuant to subsection (i) if an Event of Default under this Agreement has occurred and is continuing,

**E. Organizational Change.** Change its type of organization or other legal structure, except as permitted by Section 5.02.A. hereof, in which case the Borrower shall provide at least 30 days prior written notice to CFC together with all documentation reflecting such change as CFC may reasonably require.

**F. Notice of Change in Borrower Information.** Change its (i) state of incorporation, (ii) legal name, (iii) mailing address, or (iv) organizational identification number, if it has one, unless the Borrower provides written notice to CFC at least thirty (30) days prior to the effective date of any such change together with all documentation reflecting any such change as CFC may reasonably require.

## ARTICLE VI

## EVENTS OF DEFAULT

**Section 6.01** The following shall be "Events of Default" under this Agreement:

**A. Representations and Warranties.** Any representation or warranty made by the Borrower herein, or in any of the other Loan Documents, or in any certificate or financial statement furnished to CFC hereunder or under any of the other Loan Documents shall prove to be false or misleading in any material respect.

**B. Payment.** The Borrower shall fail to pay (whether upon stated maturity, by acceleration, or otherwise) any principal, interest, premium (if any) or other amount payable under the Note and the Loan Documents within five (5) Business Days after the due date thereof.

**C. Other Covenants.**

**(i) No Grace Period.** Failure of the Borrower to observe or perform any covenant or agreement contained in the Project Agreement or in Sections 5.01.A, 5.01.B, 5.01.D, 5.01.E, 5.01.G, 5.01.I, 5.01.N, 5.01.O and 5.02 of this Agreement.

**(ii) Thirty Day Grace Period.** Failure of the Borrower to observe or perform any other covenant or agreement contained in this Agreement or any of the other Loan Documents, which shall remain unremedied for thirty (30) calendar days after written notice thereof shall have been given to the Borrower by CFC.

**D. Legal Existence, Permits and Licenses.** The Borrower shall forfeit or otherwise be deprived of (i) its authority to conduct business in the jurisdiction in which it is organized or in any other jurisdiction where such authority is required in order for the Borrower to conduct its business in such jurisdiction or (ii) permits, easements, consents or licenses required to carry on any material portion of its business.

**E. Other CFC Obligations.** The Borrower shall be in breach or default of any Obligation, which breach or default continues uncured beyond the expiration of any applicable grace period.

**F. Other Obligations.** The Borrower shall (i) fail to make any payment of any principal, premium or any other amount due or interest on any indebtedness with parties other than CFC which shall remain unpaid beyond the expiration of any applicable grace period, or (ii) be in breach or default with respect to any other term of any evidence of any other indebtedness with parties other than CFC or of any loan agreement, mortgage or other agreement relating thereto which breach or default continues uncured beyond the expiration of any applicable grace period, if the effect of such failure, default or breach is to cause the holder or holders of that indebtedness to cause that indebtedness to become or be declared due prior to its stated maturity (upon the giving or receiving of notice, lapse of time, both or otherwise).

**G. Involuntary Bankruptcy.** An involuntary case or other proceeding shall be commenced against the Borrower seeking liquidation, reorganization or other relief with respect to it or its debts under bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property and such involuntary case or other proceeding shall continue without dismissal or

stay for a period of sixty (60) days; or an order for relief shall be entered against the Borrower under the federal bankruptcy laws or applicable state law as now or hereafter in effect.

**H. Insolvency.** The Borrower shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall admit in writing its inability to, or be generally unable to, pay its debts as they become due, or shall take any action to authorize any of the foregoing.

**I. Dissolution or Liquidation.** Other than as provided in subsection H. above, the dissolution or liquidation of the Borrower, or failure by the Borrower promptly to forestall or remove any execution, garnishment or attachment of such consequence as will impair its ability to continue its business or fulfill its obligations and such execution, garnishment or attachment shall not be vacated within sixty (60) days. The term "dissolution or liquidation of the Borrower", as used in this subsection, shall not be construed to include the cessation of the corporate existence of the Borrower resulting either from a merger or consolidation of the Borrower into or with another corporation following a transfer of all or substantially all its assets as an entirety, under the conditions set forth in Section 5.02.A.

**J. Material Adverse Change.** Any material adverse change in the business or condition, financial or otherwise, of the Borrower.

**K. Monetary Judgment.** The Borrower shall suffer any money judgment not covered by insurance, writ or warrant of attachment or similar process involving an amount in excess of $100,000 and shall not discharge, vacate, bond or stay the same within a period of sixty (60) days.

**L. Nonmonetary Judgment.** One or more nonmonetary judgments or orders (including, without limitation, injunctions, writs or warrants of attachment, garnishment, execution, distraint, replevin or similar process) shall be rendered against the Borrower that, either individually or in the aggregate, could reasonably be expected to have a material adverse effect upon the business, operations, prospects, assets, liabilities or financial condition of the Borrower.

## ARTICLE VII

## REMEDIES

**Section 7.01** If any of the Events of Default listed in Section 6 hereof shall occur after the date of this Agreement and shall not have been remedied within the applicable grace periods specified therein, then CFC may:

(i) Cease making Advances hereunder;

(ii) Declare all unpaid principal outstanding on the Note, all accrued and unpaid interest thereon, and all other Obligations to be immediately due and payable and the same shall thereupon become immediately due and payable without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived;

(iii) Exercise rights of setoff or recoupment and apply any and all amounts held, or hereby held, by CFC or owed to the Borrower or for the credit or account of the Borrower against any and all of the Obligations of the Borrower now or hereafter existing hereunder or under the Note, including, but not limited to, patronage capital allocations and retirements, money due to Borrower from equity certificates purchased from CFC, and any membership or other fees that would otherwise be returned to Borrower but excluding any LCTCs purchased by the Borrower pursuant to this Agreement. The rights of CFC under this section are in addition to any other rights and remedies (including other rights of setoff or recoupment) which CFC may have. The Borrower waives all rights of setoff, deduction, recoupment or counterclaim;

(iv) Pursue all rights and remedies available to CFC that are contemplated by the Mortgage and the other Loan Documents in the manner, upon the conditions, and with the effect provided in the Mortgage and the other Loan Documents, including, but not limited to, a suit for specific performance, injunctive relief or damages;

(v) Pursue any other rights and remedies available to CFC at law or in equity.

Nothing herein shall limit the right of CFC to pursue all rights and remedies available to a creditor following the occurrence of an Event of Default. Each right, power and remedy of CFC shall be cumulative and concurrent, and recourse to one or more rights or remedies shall not constitute a waiver of any other right, power or remedy.

## ARTICLE VIII

## MISCELLANEOUS

**Section 8.01 Notices.** All notices, requests and other communications provided for herein including, without limitation, any modifications of, or waivers, requests or consents under, this Agreement shall be given or made in writing (including, without limitation, by telecopy) and delivered to the intended recipient at the "Address for Notices" specified below; or, as to any party, at such other address as shall be designated by such party in a notice to each other party. All such communications shall be deemed to have been duly given (i) when personally delivered including, without limitation, by overnight mail or courier service, (ii) in the case of notice by United States mail, certified or registered, postage prepaid, return receipt requested, upon receipt thereof, or (iii) in the case of notice by telecopy, upon transmission thereof, provided such transmission is promptly confirmed by either of the methods set forth in clauses (i) or (ii) above in each case given or addressed as provided for herein. The Address for Notices of each of the respective parties is as follows:

National Rural Utilities Cooperative Finance Corporation
2201 Cooperative Way
Herndon, Virginia 20171-3025
Attention: Senior Vice President – Member Services
Fax # 703-709-6776

The Borrower:

The address set forth in
Schedule 1 hereto

**Section 8.02 Expenses.** Borrower shall reimburse CFC for any reasonable costs and out-of-pocket expenses paid or incurred by CFC (including, without limitation, reasonable fees and expenses of outside attorneys, paralegals and consultants) for all actions CFC takes, (a) to enforce the payment of any Obligation, to effect collection of any Mortgaged Property, or in preparation for such enforcement or collection, (b) to institute, maintain, preserve, enforce and foreclose on CFC's security interest in or Lien on any of the Mortgaged Property, whether through judicial proceedings or otherwise, (c) to restructure any of the Obligations, (d) to review, approve or grant any consents or waivers hereunder, (e) to prepare, negotiate, execute, deliver, review, amend or modify this Agreement, (f) to prepare, negotiate, execute, deliver, review, amend or modify any other agreements, documents and instruments deemed necessary or appropriate by CFC in connection with any of the foregoing, and (g) to obtain any opinions required to be furnished upon a Determination of Tax Credit Ineligibility and an extraordinary prepayment as set forth in Section 3.04 hereof or a rescission of excess money as set forth in Section 3.05 or a cancellation of excess moneys as set forth in Section 3.06.

The amount of all such expenses identified in this Section 8.02 shall be secured by the Mortgage and shall be payable upon demand, and if not paid, shall accrue interest at the Default Rate.

**Section 8.03 Late Payments.** If payment of any amount due hereunder is not received at CFC's office in Herndon, Virginia, or such other location as CFC may designate to the Borrower within five (5) Business Days after the due date thereof, the Borrower will pay to CFC, in addition to all other amounts due under the terms of the Loan Documents, any late payment charge as may be fixed by CFC from time to time pursuant to its policies of general application as in effect from time to time.

**Section 8.04. Non-Business Day Payments.** If any payment to be made by the Borrower hereunder shall become due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall be included in computing any interest in respect of such payment.

**Section 8.05 Filing Fees.** To the extent permitted by law, the Borrower agrees to pay all expenses of CFC (including the reasonable fees and expenses of its counsel) in connection with the filing, registration, recordation or perfection of the Mortgage and any other security instruments as may be required by CFC in connection with this Agreement, including, without limitation, all documentary stamps, recordation and transfer taxes and other costs and taxes incident to execution, filing, registration or recordation of any document or instrument in connection herewith. The Borrower agrees to save harmless and indemnify CFC from and against any liability resulting from the failure to pay any required documentary stamps, recordation and transfer taxes, recording costs, or any other expenses incurred by CFC in connection with this Agreement. The provisions of this subsection shall survive the execution and delivery of this Agreement and the payment of all other amounts due under the Loan Documents.

**Section 8.06 Waiver; Modification.** No failure on the part of CFC to exercise, and no delay in exercising, any right or power hereunder or under the other Loan Documents shall operate as a waiver thereof, nor shall any single or partial exercise by CFC of any right hereunder, or any abandonment or discontinuance of steps to enforce such right or power, preclude any other or further exercise thereof or the exercise of any other right or power. No modification or waiver of any provision of this Agreement, the Note or the other Loan Documents and no consent to any departure by the Borrower therefrom shall in any event be effective unless the same shall be in writing by the

party granting such modification, waiver or consent, and then such modification, waiver or consent shall be effective only in the specific instance and for the purpose for which given.

**SECTION 8.07 GOVERNING LAW; SUBMISSION TO JURISDICTION; WAIVER OF JURY TRIAL.**

(A) THE PERFORMANCE AND CONSTRUCTION OF THIS AGREEMENT AND THE NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE COMMONWEALTH OF VIRGINIA.

(B) THE BORROWER HEREBY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF THE UNITED STATES COURTS LOCATED IN VIRGINIA AND OF ANY STATE COURT SO LOCATED FOR PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. THE BORROWER IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTIONS THAT IT MAY NOW OR HEREAFTER HAVE TO THE ESTABLISHING OF THE VENUE OF ANY SUCH PROCEEDINGS BROUGHT IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

(C) THE BORROWER AND CFC EACH HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

**SECTION 8.08 INDEMNIFICATION.** THE BORROWER HEREBY INDEMNIFIES AND AGREES TO HOLD HARMLESS, AND DEFEND CFC AND ITS MEMBERS, DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, ATTORNEYS AND REPRESENTATIVES (EACH AN "INDEMNITEE") FOR, FROM, AND AGAINST ALL CLAIMS, DAMAGES, LOSSES, LIABILITIES, COSTS, AND EXPENSES (INCLUDING, WITHOUT LIMITATION, COSTS AND EXPENSES OF LITIGATION AND REASONABLE ATTORNEYS' FEES) ARISING FROM ANY CLAIM OR DEMAND IN RESPECT OF THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS, THE MORTGAGED PROPERTY, OR THE TRANSACTIONS DESCRIBED IN THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS AND ARISING AT ANY TIME, WHETHER BEFORE OR AFTER PAYMENT AND PERFORMANCE OF ALL OBLIGATIONS UNDER THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS IN FULL, EXCEPTING ANY SUCH MATTERS ARISING SOLELY FROM THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF CFC OR ANY INDEMNITEE INCLUDING WITHOUT LIMITATION ANY DETERMINATION MADE OR OTHER ACTION TAKEN BY CFC PURSUANT TO SECTIONS 3.04, 3.05 and 3.06 OF THIS AGREEMENT. NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN SECTION 8.10 HEREOF, THE OBLIGATIONS IMPOSED UPON THE BORROWER BY THIS SECTION SHALL SURVIVE THE REPAYMENT OF THE NOTE, THE TERMINATION OF THIS AGREEMENT AND THE TERMINATION OR RELEASE OF THE LIEN OF THE MORTGAGE.

**Section 8.09 Complete Agreement.** This Agreement, together with the schedules to this Agreement, the Note and the other Loan Documents, and the other agreements and matters referred to herein or by their terms referring hereto, is intended by the parties as a final expression of their agreement and is intended as a complete statement of the terms and conditions of their agreement. In the event of any conflict in the terms and provisions of this Agreement and any other Loan Documents, the terms and provisions of this Agreement shall control.

**Section 8.10 Survival; Successors and Assigns.** All covenants, agreements, representations and warranties of the Borrower which are contained in this Agreement shall survive the execution and delivery to CFC of the Loan Documents and the making of the Loan hereunder and shall continue in full force and effect until all of the obligations under the Loan Documents have been paid in full. All covenants, agreements, representations and warranties of the Borrower which are contained in this Agreement shall inure to the benefit of the successors and assigns of CFC. The Borrower shall not have the right to assign its rights or obligations under this Agreement without the prior written consent of CFC, except as provided in Section 5.02.A hereof.

**Section 8.11 Use of Terms.** The use of the singular herein shall also refer to the plural, and vice versa.

**Section 8.12 Headings.** The headings and sub-headings contained in this Agreement are intended to be used for convenience only and do not constitute part of this Agreement.

**Section 8.13 Severability.** If any term, provision or condition, or any part thereof, of this Agreement, the Note or the other Loan Documents shall for any reason be found or held invalid or unenforceable by any governmental agency or court of competent jurisdiction, such invalidity or unenforceability shall not affect the remainder of such term, provision or condition nor any other term, provision or condition, and this Agreement, the Note and the other Loan Documents shall survive and be construed as if such invalid or unenforceable term, provision or condition had not been contained therein.

**Section 8.14 Binding Effect.** This Agreement shall become effective when it shall have been executed by both the Borrower and CFC and thereafter shall be binding upon and inure to the benefit of the Borrower and CFC and their respective successors and assigns.

**Section 8.15 Counterparts.** This Agreement may be executed in one or more counterparts, each of which will be deemed an original and all of which together will constitute one and the same document. Signature pages may be detached from the counterparts and attached to a single copy of this Agreement to physically form one document.

**Section 8.16 Disclosure.** This Agreement and any other Loan Document may be shared by CFC with such Persons as shall be required in order to facilitate the issuance of the CREBs, including, but not limited to, its attorneys, underwriters and investors in the CREBs.

**Section 8.17 Schedule 1.** Schedule 1 attached hereto is an integral part of this Agreement.

**IN WITNESS WHEREOF,** the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

SULPHUR SPRINGS VALLEY
ELECTRIC COOPERATIVE, INC.

(SEAL)

By: Gene Manning

Title: President

Attest: _____
~~Secretary~~
CREDEN W. HUBER
CHIEF EXECUTIVE OFFICER

NATIONAL RURAL UTILITIES
COOPERATIVE FINANCE CORPORATION

(SEAL)

By: Marianne Dusold
Assistant Secretary-Treasurer
MARIANNE L DUSOLD

Attest: _____
Assistant Secretary-Treasurer
CRAIG COLANTONI

## SCHEDULE 1

1. The purpose of this loan is to finance (i) the reimbursement of the cost of the Project of the Borrower, including any reasonable costs and expenses incurred by the Borrower in connection with financing the Project, as described and permitted by the terms of the Project Agreement and (ii) a portion of CFC's costs in issuing the CREBs as set forth in Section 3.02.A.

2. The Project of the Borrower being financed by the Loan (funded by proceeds of the CREBs) constitutes the following clean renewable energy facilities:

   McNeal Elementary District Photovoltaic Solar Automobile Parking Shade Structure

   This project will place a photovoltaic module that will produce 23 kW of electricity in the shade structure at the McNeal Elementary School. The PV structure will provide electricity to the school with excess power flowing to the Borrower's system.

3. Subject to the terms of this Agreement, CFC has agreed to loan to the Borrower from proceeds of the CREBs, an amount not to exceed $280,000.00 (the "CFC Commitment").

4. Draw Period shall mean the period beginning on the Closing Date and ending on the date that is five (5) years thereafter.

5. The Borrower shall not purchase the LCTCs or any portion thereof with funds from the Loan. The Borrower shall use its own funds or funds borrowed under another credit facility to purchase such LCTCs, subject to the CFC policies regarding LCTCs set forth in the following paragraph.

   **CFC Policies Regarding LCTCs:** (i) Any solvent Member of CFC with an outstanding LCTC purchased in connection with a loan from the proceeds of Securities may borrow the outstanding amount of the LCTC from CFC without a further credit review, for a term equal to or shorter than the maturity of the LCTC at a rate equal to the comparable rate charged by CFC for similarly classified loans; and (ii) any Member of CFC with an outstanding LCTC purchased in connection with a loan from the proceeds of Securities may sell such LCTC to another Member of CFC for consideration.

6. The Mortgage shall mean the Restated Mortgage and Security Agreement, dated as of December 6, 2007, between the Borrower and CFC, as it may have been supplemented, amended, consolidated, or restated from time to time.

7. The Note executed pursuant hereto is as follows:

| LOAN NUMBER | AMOUNT |
|---|---|
| AZ014-A-9041-CB001 | $280,000.00 |

8. The Subsidiaries of the Borrower referred to in Section 2.01.B. are: None

9. The date of the Borrower's balance sheet referred to in Section 2.01.H is June 30, 2006.

10. The Borrower's exact legal name is: Sulphur Springs Valley Electric Cooperative, Inc.

11. The Borrower's organizational type is: Corporation

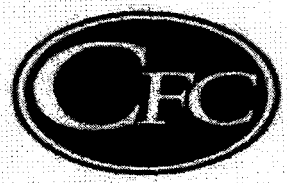
12. The Borrower is organized under the laws of the state of: Arizona

13. The Borrower's organizational identification number is: 0038220-2

14. The place of business or, if more than one, the chief executive office of the Borrower referred to in Section 2.01.I is 311 East Wilcox, Sierra Vista, Arizona 85635.

15. The Governmental Authority referred to in Section 2.01.J. is: Arizona Corporation Commission

16. The address for notices to the Borrower referred to in Section 8.01 is 311 East Wilcox, Sierra Vista, Arizona 85635, Attention: General Manager, Fax: (520) 384-5223.



## Exhibit A - Funds Requisition Statement

Borrower Name & ID: Sulphur Springs Valley Electric Cooperative, Inc. (AZ014)
Loan Number: AZ014-A-9041-CB001
Loan Agreement and Project Agreement with CFC dated:
CREBs Series: 2008A
CFC CREBs Application #: 11
Name of Project: McNeal Elementary District Photovoltaic Solar Automobile Parking Shade Structure
Funds Requisition Statement No.:

**Amount Requested:**
**Date Of Advance:**

**Disposition of Funds (wiring instructions):**

### Certification

Acting on behalf of the Borrower, I hereby certify that as of the date below: (1) I am duly authorized to make this certification and to request funds on the terms specified herein; (2) the Borrower has met all of the conditions contained in the Loan Agreement and the Project Agreement listed above governing the terms of this Advance that the Borrower is required to meet prior to an Advance of funds; (3) all of the representations and warranties contained in said Loan Agreement and Project Agreement are true and will continue to be true upon use of the funds as hereby requested; (4) no Event of Default, under the Loan Agreement or the Borrower's Mortgage, has occurred and is continuing; (5) I know of no other event that has occurred which, with the lapse of time and/or notification to CFC of such event, or after giving effect to this Advance, would become an Event of Default under the Loan Agreement or the Borrower's Mortgage; (6) the funds requested herein will be used only as a reimbursement for the purposes specified in the Loan Agreement and the Project Agreement; (7) the costs to be reimbursed by the funds requested herein are capital expenditures and have not previously been reimbursed under a previous Funds Requisition Statement; (8) the Borrower has secured sufficient funds to complete the Project; (9) any necessary permits and approvals required for the Project at this point have been obtained; (10) the Borrower is maintaining a file containing true and correct copies of invoices or bills of sale covering all items for which payment is sought by this request; (11) such costs have been incurred and paid by the Borrower in connection with the Project; (12) the Borrower is not using the funds requested hereby to make any payments of principal or interest due under the Loan Agreement; (13) no expenditure which is being reimbursed by the funds requested hereby was paid more than eighteen months after the later of (i) the date the expenditure is paid or (ii) the date the Project is placed in service, but in no event later than three years after the date the original expenditure was paid; and (14) set forth below is a table listing all of the major components of the Project, how much is being requested in this Funds Requisition Statement as an advance for certain components, how much has been advanced on each component to date, the percentage of each component that is completed

to date, and the purpose of the advance(s) being requested by this Funds Requisition Statement.

I hereby authorize CFC, for and on behalf of the Borrower, to forward this Funds Requisition Statement to the Trustee for disbursement of the Advance from the Project Account relating to the above Loan to the Borrower on the following terms, and hereby acknowledge and agree that such terms shall be binding upon Borrower under the provisions of the Loan Agreement governing this Advance:

| Project Component | Amount Expended to Date by Borrower | Amount Advanced to Date | Advance Amount Requested Herein | Percentage Complete |
|---|---|---|---|---|
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| Total | | | | |

Certified By:

_____ _____ _____

Signature Date Title of Authorized Officer

**PLEASE FAX TO 703-709-6776 ATTN: _____, Associate Vice President**

APPROVED:

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION

By: _____
Title: _____
Date: _____

**EXHIBIT B**

**BRING-DOWN CERTIFICATE OF BORROWER**

The undersigned, _____, duly qualified officers of SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (the *"Borrower"*), an Arizona corporation, hereby certify as follows:

1. The following documents have been duly executed, and delivered or accepted in the name and on behalf of the Borrower by the authorized officer or officers of the Borrower pursuant to, and in full compliance with, authority granted by the Board of Trustees/Directors of the Borrower:

| DOCUMENT | DATE | OTHER PARTY OR PARTIES |
|---|---|---|
| Loan Agreement (the *"Agreement"*) | _____, 200_ | National Rural Utilities Cooperative Finance Corporation (*"CFC"*) |
| Project Agreement (the *"Project Agreement"*) | _____, 200_ | |
| Note (the *"Note"*) | _____, 200_ | |

2. Each of the representations and warranties of the Borrower in the Loan Agreement and the Project Agreement are true and correct on and as of the date hereof (the *"Closing Date"*), and the Borrower has complied with all agreements and satisfied all conditions on its part to be observed or satisfied thereunder at or prior to the Closing Date.

IN WITNESS WHEREOF, the undersigned have hereunto set their signatures this ____ day of _____, 2008.

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

By _____
Title:

By _____
Title:

**EXHIBIT C**

**COMPLETION CERTIFICATE**
**OF**
**BORROWER**

Pursuant to the Loan Agreement dated as of _____ by and between SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (the "Borrower") and National Rural Utilities Cooperative Finance Corporation ("CFC") relating to CFC Loan Number AZ014-A-9041-CB001 (the "Loan Agreement"), the undersigned, _____, duly qualified officer of the Borrower, hereby certifies as follows:

(i) On [date of completion] all portions of the Project (as defined in the Loan Agreement) have been fully completed substantially in accordance with any plans and specifications therefore, as then amended; and

(ii) Amount advanced on the Loan (as defined in the Loan Agreement) and the use of the property financed, refinanced or reimbursed therefrom will not cause any of the representations or certifications contained in the Project Agreement (as defined in the Loan Agreement) to be untrue or result in a violation of any covenant in the Project Agreement.

IN WITNESS WHEREOF, the undersigned have hereunto set his/her signature this ____ day of _____, 20____.

SULPHUR SPRINGS VALLEY ELECTRIC
COOPERATIVE, INC.

By _____
Title:

**EXHIBIT D**

**TERMINATION CERTIFICATE**
**OF**
**BORROWER**

Pursuant to the Loan Agreement dated as of _____ by and between SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (the "Borrower") and National Rural Utilities Cooperative Finance Corporation ("CFC") relating to CFC Loan Number AZ014-A-9041-CB001 (the "Loan Agreement"), the undersigned, _____, duly qualified officer of the Borrower, hereby certifies as follows:

(i) all portions of the Project (as defined in the Loan Agreement) have not been fully completed substantially in accordance with any plans and specifications therefor, as then amended;

(ii) no further acquisition, construction or installation will occur with respect to the Project (as defined in the Loan Agreement); and

(iii) the Borrower does not intend to request any further Advances (as defined in the Loan Agreement) on the Loan (as defined in the Loan Agreement).

IN WITNESS WHEREOF, the undersigned have hereunto set his/her signature this ____ day of _____, 20____.

SULPHUR SPRINGS VALLEY ELECTRIC
COOPERATIVE, INC.

By _____
Title:

**SECURED PROMISSORY NOTE**

$560,000.00 dated as of 12/21/07

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC., an Arizona corporation (the "Borrower"), for value received, hereby promises to pay, without setoff, deduction, recoupment or counterclaim, to the order of NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION (the "Payee"), at its office in Herndon, Virginia office or such other location at its office in Herndon, Virginia or such other location as the Payee may designate to the Borrower, in lawful money of the United States, the principal sum of FIVE HUNDRED SIXTY THOUSAND AND 00/100 DOLLARS ($560,000.00), or such lesser sum of the aggregate unpaid principal amount of all advances made by the Payee pursuant to that certain Loan Agreement dated as of even date herewith between the Borrower and the Payee, as it may be amended from time to time (herein called the "Loan Agreement"), and to pay interest on all amounts remaining unpaid hereunder from the date of each advance in like money, at said office, at the rate and in amounts and payable on the dates provided in the Loan Agreement together with any other amount payable under the Loan Agreement. If not sooner paid, any balance of the principal amount and interest accrued thereon shall be due and payable on the Maturity Date.

This Note is secured under a Restated Mortgage and Security Agreement, dated of December 6, 2007 between the Borrower and the Payee, as it may have been or shall be supplemented, amended, consolidated or restated from time to time ("Mortgage"). This Note is one of the Notes referred to in, and has been executed and delivered pursuant to, the Loan Agreement.

The principal hereof and interest accrued thereon and any other amount due under the Loan Agreement may be declared to be forthwith due and payable in the manner, upon the conditions, and with the effect provided in the Mortgage or the Loan Agreement.

The Borrower waives demand, presentment for payment, notice of dishonor, protest, notice of protest, and notice of non-payment of this Note.

IN WITNESS WHEREOF the Borrower has caused this Note to be signed in its corporate name and its corporate seal to be hereunto affixed and to be attested by its duly authorized officers, all as of the day and year first above written.

SULPHUR SPRINGS VALLEY
ELECTRIC COOPERATIVE, INC.

(SEAL)

By: Duane Manning

Title: President

Attest: _____
~~Secretary~~

CREDEN W. HUBER
CHIEF EXECUTIVE OFFICER

Loan No. AZ014-A-9042-CB001

**PROJECT AGREEMENT**

**OF**

**SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (THE *"BORROWER"*)**

DATED: as of 12/21/2007

The undersigned is a duly qualified officer of the Borrower named above and, as such officer, is familiar with (i) the properties, affairs and records of the Borrower, (ii) the issuance of the Securities (as hereinafter defined) and the use of the proceeds thereof as it relates to the Borrower and (iii) the Project, as hereinafter defined.

In connection with the issuance of the Clean Renewable Energy Bonds (Cooperative Renewable Energy Projects) Series 2008A (the *"Securities"*), being issued by the National Rural Utilities Cooperative Finance Corporation (the *"Issuer"*), the undersigned hereby certifies and covenants regarding the use of the proceeds of the Securities advanced to the Borrower, as follows:

1. General.

1.1 This Project Agreement is made pursuant to Section 54 of the Internal Revenue Code of 1986, as amended (the *"Code"*), and any United States Treasury regulations and other guidance thereunder to make the certifications required by Section 54 of the Code and any United Stares Treasury regulations and other guidance thereunder and to establish the reasonable expectations of the Borrower with respect to the amount and use of amounts to be advanced to the Borrower pursuant to the Loan Agreement dated as of even date herewith between the Issuer and the Borrower (the *"Loan Agreement"*). Capitalized terms used herein are defined where they first appear or are defined in *Exhibit A* attached hereto.

1.2 This Project Agreement is based on facts and estimates in existence on the date hereof and the continued veracity of these facts and estimates as of the date that the Securities are issued (the *"Closing"*) will be confirmed by the Borrower on the date of Closing, and on the basis of such facts and estimates, the Borrower expects that the events described herein will occur. To the best of the undersigned's knowledge, information, and belief, the expectations contained in this Project Agreement are reasonable.

1.3 The Borrower is a Qualified Borrower, as defined in *Exhibit A,* and is responsible for the acquiring/constructing/equipping of the Project (defined below). The undersigned has reviewed this Project Agreement, as well as the provisions of Section 54 of the Code and any United States Treasury regulations and other guidance thereunder, with its own legal counsel and understands and is familiar with this Project Agreement and the provisions of Section 54 and any United States Treasury regulations and other guidance thereunder. The Borrower will

comply in all respects with the provisions of Section 54 and any United States Treasury regulations and other guidance thereunder.

1.4 The Borrower agrees to keep and retain or cause to be kept and retained sufficient records to demonstrate compliance with the covenants in this Project Agreement. Such records shall include, but are not limited to, basic records relating to the issuance of the Securities (including this Project Agreement and the inducement resolution as described in Section 3.3 hereof); documentation evidencing the expenditure of amounts advanced to the Borrower pursuant to the Loan Agreement; documentation evidencing the use of property financed with amounts advanced to the Borrower pursuant to the Loan Agreement; and documentation evidencing all sources of payment or security maintained by the Borrower for amounts advanced to the Borrower pursuant to the Loan Agreement. Such records shall be kept until the date three (3) years after the CREB Maturity Date.

1.5 Neither the Borrower nor any Related Person (as defined in Exhibit A) to the Borrower will purchase any Securities.

2. Qualified Project.

2.1 The Loan Agreement requires the amounts advanced thereunder to be used for facilities to be owned by the Borrower, described in more detail in Section 2.2 hereof and in *Exhibit B* attached hereto as the "Updated Description of the Project" (the *"Project"*). The Project was originally described in an exhibit to the Application for National Clean Renewable Energy Bond Limitation submitted to the Internal Revenue Service by the Issuer in support of the national clean renewable energy bond allocation received by the Issuer, which "Original Description of the Project" is attached hereto as *Exhibit C*.

2.2 The Project is a Solar Energy Facility (the *"Qualifying Facility"*), as defined in *Exhibit A* and property functionally related and subordinate thereto, as further described in *Exhibit B,* attached hereto.

3. Clean Renewable Energy Bonds Qualification.

3.1 At least 95 percent of the proceeds advanced to the Borrower pursuant to the Loan Agreement will be used by the Borrower for capital expenditures with respect to the Project. None of the proceeds of the Loan (as defined in the Loan Agreement) will be paid to the Issuer, the Borrower or any Related Person to the Issuer or the Borrower, except for amounts paid to the Borrower to reimburse the Borrower for actual and direct expenditures relating to the Project paid by the Borrower to persons other than the Issuer, the Borrower or any Related Person to the Issuer or the Borrower.

3.2 The Borrower has incurred or will, within six months of the Closing Date, incur a substantial binding obligation (not subject to contingencies within the control of the Issuer, the Borrower or any Related Person to either of them) to a third party

to expend at least ten percent of the Loan Amount (*i.e.* the total amount to be advanced to the Borrower pursuant to the Loan Agreement). It is expected that the work of acquiring/constructing/equipping the Project and the expenditure of the Loan Amount will proceed with due diligence through May 26, 2008, at which time it is anticipated that the Loan Amount will have been spent in its entirety. The Borrower acknowledges that, to the extent that less than 95 percent of the Loan Amount is expended by a date five years from the date of issuance of the Securities, the Borrower will be required to prepay its Loan in an amount, and the Issuer will redeem Securities at the end of such five-year period in an amount, necessary to maintain the tax credit with respect to the Securities, unless otherwise permitted by Section 6.5 hereof.

It is expected that all amounts advanced to the Borrower under the Loan Agreement will be spent to pay costs of the Project in accordance with the estimated periodic drawdown schedule contained in *Exhibit D,* attached hereto. The assumptions set forth in this Section 3.2 and on *Exhibit D,* attached hereto, represent the Borrower's best estimate, as of this date, of the periodic drawdown schedule of the Loan Amount.

3.3 The Borrower may use amounts advanced to the Borrower under the Loan Agreement to reimburse itself for expenditures paid prior to the date of issuance of the Securities. The Borrower shall reimburse itself for expenditures paid prior to the date of issuance of the Securities only if such expenditure was paid after the Borrower adopted an inducement resolution, and the expenditure is described in such inducement resolution.

**The Borrower shall use proceeds of the Loan to reimburse itself for expenditures paid prior to the date the Securities were issued only if such reimbursement is made within eighteen months after the later of (i) the date the expenditure is paid or (ii) the date the Project is placed in service, but in no event later than three years after the date the original expenditure was paid.**

Except for any reimbursement allowed under this Section 3.3, no portion of the proceeds advanced to the Borrower will be used to pay for expenditures relating to acquiring existing facilities (as contrasted with costs of enhancements, repair or rehabilitation of existing facilities).

3.4 Neither the Project nor any portion thereof has been, is expected to be, or will be sold or otherwise disposed of, in whole or in part, prior to the last maturity date of the Securities.

3.5 The Borrower has entered into the Loan Agreement of even date hereof under which it is committed to borrow $560,000 from the Issuer of the Securities and the Borrower reasonably expects to borrow and expend the full amount of such commitment.

3.6 At least 75% of the Loan Amount is expected to be used for Construction Purposes.

3.7 The Borrower will not use proceeds of the Loan (i) to pre-pay for goods or services to be received over a period of years prior to the date such goods or services are to be received, or (ii) to pay for or otherwise acquire goods or services from an Affiliated Person, as defined in *Exhibit A*.

3.8 The Borrower shall at all times be a Qualified Borrower.

4. Remedial Action.

4.1 The Borrower agrees to operate the Project as a Qualifying Facility.

The Borrower acknowledges that if property financed with proceeds of the Securities advanced to the Borrower is operated in a manner other than as a Qualifying Facility such operation may constitute a "deliberate action" that may require remedial actions to prevent the tax credit being produced by the Securities from being disallowed.

The Borrower shall promptly contact the Issuer as provided in Section 6.3 hereof if it considers operating property financed with proceeds of the Loan other than as a Qualifying Facility.

4.2 The Borrower acknowledges that if property financed with proceeds of the Loan is sold or otherwise disposed of in a manner contrary to the provisions of Section 3.4 hereof, such sale or disposition may constitute a "deliberate action" that may require remedial actions to prevent the tax credit being produced by the Securities from being disallowed. If the Borrower considers the sale or other disposition of property financed with proceeds of the Loan, it shall promptly contact the Issuer, in the manner set forth in Section 6.3 hereof.

5. Funds and Accounts; Investments.

5.1 After the issuance of the Securities, neither the Borrower nor any Related Person to the Borrower has or will have any property, including cash, securities or any other property held as a passive vehicle for the production of income or for investment purposes, that constitutes:

(i) amounts that have a sufficiently direct nexus to the Securities or to the governmental purpose of the Securities to conclude that the amounts would have been used for that governmental purpose if the Securities were not used or to be used for that governmental purpose (the mere availability or preliminary earmarking of such amounts for a governmental purpose, however, does not itself establish such a sufficient nexus);

(ii) amounts in a debt service fund, redemption fund, reserve fund, replacement fund or any similar fund to the extent reasonably expected to be used directly or indirectly to pay principal of or interest on the Securities or any amounts for which there is provided, directly or indirectly, a reasonable assurance that the amount will be available to pay principal of or interest on the Securities or any credit enhancement or liquidity device with respect to the Securities, even if the Issuer, the Borrower or any Related Person to either of them encounter financial difficulties; or

(iii) any amounts held pursuant to any agreement (such as an agreement to maintain certain levels of types of assets) made for the benefit of the holders of the Securities or any credit enhancement provider, including any liquidity device or negative pledge (*e.g.*, any amount pledged to pay principal of or interest on an issue held under an agreement to maintain the amount at a particular level for the direct or indirect benefit of holders of the Securities or a guarantor of the Securities).

No compensating balance, liquidity account, negative pledge of property held for investment purposes required to be maintained at least at a particular level or similar arrangement exists with respect to, in any way, the Securities or any credit enhancement or liquidity device related to the Securities.

5.2 During the acquiring/constructing/equipping of the Project, the Borrower will only draw down amounts from the Issuer for capital expenditures already paid by the Borrower.

5.3 Neither the Borrower nor any Related Person to the Borrower will enter into any hedge (*e.g.*, an interest rate swap, interest rate cap, futures contract, forward contract or an option) with respect to the Loan or the Securities.

5.4 All property subject to the Mortgage is and will be used by the Borrower in the conduct of its trade or business. The Borrower reasonably expects to repay the Loan from current operating revenues. The Mortgage does not require that cash, securities, obligations, annuity contracts or other property held principally as a passive vehicle for the production of income be maintained, individually or collectively, at any particular level.

6. Miscellaneous.

6.1 This Project Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia.

6.2 Prior to the date 15 days before the Securities were sold, neither the Borrower nor any Related Person to the Borrower has sold or delivered any obligations that are reasonably expected to be paid out of substantially the same source of funds as the Securities. Neither the Borrower nor any Related Person to the Borrower will sell

or deliver within 15 days after the date hereof any obligations that are reasonably expected to be paid out of substantially the same source of funds as the Securities.

6.3 All notices provided for herein shall be given or made in writing (including, without limitation, by telecopy) and delivered to the Issuer at the "Address for Notices" specified below. All such communications shall be deemed to have been duly given (i) when personally delivered including, without limitation, by overnight mail or courier service, (ii) in the case of notice by United States mail, certified or registered, postage prepaid, return receipt requested, upon receipt thereof, or (iii) in the case of notice by telecopy, upon transmission thereof, provided such transmission is promptly confirmed by either of the methods set forth in clauses (i) or (ii) above in each case given or addressed as provided for herein. The Address for Notices of the Issuer is as follows:

National Rural Utilities Cooperative Finance Corporation
2201 Cooperative Way
Herndon, Virginia 20171-3025
Attention: Senior Vice President – Member Services
Fax #703-709-6776

6.4 The Borrower represents that it has not been contacted by the Internal Revenue Service or any issuer of bonds, the proceeds of which were loaned to the Borrower regarding any examination of any tax exempt bonds issued for the benefit of the Borrower. To the best of the knowledge of the Borrower, no such obligations of the Borrower are currently under examination by the Internal Revenue Service.

6.5 Any restriction or covenant contained herein need not be observed or may be changed if such nonobservance or change will not result in the loss of any tax credit under Section 54 of the Code for the purpose of federal income taxation to which the Securities is otherwise entitled and the Borrower receives an opinion of Bond Counsel to such effect and the Issuer agrees to such nonobservance or change.

6.6 If any clause, provision or section of this Project Agreement is ruled invalid by any court of competent jurisdiction, the invalidity of such clause, provision or section shall not affect any of the remaining clauses, sections or provisions hereof.

6.7 The terms, provisions, covenants and conditions of this Project Agreement shall bind and inure to the benefit of the respective successors and assigns of the Issuer and the Borrower.

6.8 This Project Agreement shall terminate on the date three (3) years after the CREB Maturity Date.

The undersigned acknowledge that this Project Agreement is given as a basis for an opinion of the law firm of Chapman and Cutler LLP, Chicago, Illinois, and such firm is hereby authorized to rely on this Project Agreement.

DATED as of the day and year first above written.

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

By Gene Manning

Title President

## EXHIBIT A

## DEFINITIONS

*"Affiliated Person"* means any Person that (a) at any time during the six months prior to the Closing Date, (i) has more than five percent of the voting power of the governing body of the Issuer or the Borrower in the aggregate vested in its directors, officers, owners, and employees or (ii) has more than five percent of the voting power of its governing body in the aggregate vested in directors, officers, board members, owners, members or employees of the Issuer or the Borrower or (b) during the one-year period beginning six months prior to the Closing Date, (i) the composition of the governing body of which is modified or established to reflect (directly or indirectly) representation of the interests of the Issuer or the Borrower (or for which an agreement, understanding, or arrangement relating to such a modification or establishment during that one-year period) or (ii) the composition of the governing body of the Issuer or the Borrower is modified or established to reflect (directly or indirectly) representation of the interests of such Person (or for which an agreement, understanding, or arrangement relating to such a modification or establishment during that one-year period).

*"Bond Counsel"* means Chapman and Cutler LLP or any other nationally recognized firm of attorneys experienced in the field of municipal obligations whose opinions are generally accepted by purchasers of municipal obligations.

*"Closing Date"* means the date the Issuer issues the Securities.

*"Code"* means the Internal Revenue Code of 1986, as amended.

*"Constructed Personal Property"* means tangible personal property (or, if acquired pursuant to a single acquisition contract, properties) or Specially Developed Computer Software if (i) a substantial portion of the property or properties is completed more than six (6) months after the earlier of the date construction or rehabilitation commenced and the date the Borrower entered into an acquisition contract; (ii) based on the reasonable expectations of the Borrower, if any, or representations of the person constructing the property, with the exercise of due diligence, completion of construction or rehabilitation (and delivery to the issuer) could not have occurred within that six-month period; and (iii) if the Borrower itself builds or rehabilitates the property, not more than 75 percent of the capitalizable cost is attributable to property acquired by the Borrower (*e.g.*, components, raw materials, and other supplies).

*"Construction Purposes"* means capital expenditures that are allocable to the cost of Real Property or Constructed Personal Property. Except as provided in the next succeeding sentence, construction expenditures do not include expenditures for acquisitions of interests in land or other existing real property. Expenditures are not for the acquisition of an interest in existing real property other than land if the contract between the seller and the Borrower requires the seller to build or install the property (*e.g.*, a *turnkey contract*), but only to the extent that the property has not been built or installed at the time the parties enter into the contract.

*"Control"* means the possession, directly or indirectly through others, of either of the following discretionary and non-ministerial rights or powers over another entity (i) to approve and to remove without cause a controlling portion of the governing body of a Controlled Entity, or (ii) to require the use of funds or assets of a Controlled Entity for any purpose.

*"Controlled Entity"* means any entity or one of a group of entities that is subject to Control by a Controlling Entity or group of Controlling Entities.

*"Controlled Group"* means a group of entities directly or indirectly subject to Control by the same entity or group of entities, including the entity that has the Control of the other entities.

*"Controlling Entity"* means any entity or one of a group of entities directly or indirectly having Control of any entities or group of entities.

*"CREB Maturity Date"* shall have the meaning ascribed to it in the Loan Agreement.

*"Governmental Body"* means any State, territory, possession of the United States, the District of Columbia, Indian tribal government, and any political subdivision thereof.

*"Mortgage"* means the mortgage and security agreement applicable to substantially all of the property of the Borrower.

*"Qualified Borrower"* means (i) a mutual or cooperative electric company described in Sections 501(c)(12) or 1381(a)(2)(C) of the Code, or (ii) a Governmental Body (as defined above).

*"Real Property"* means land and improvements to land, such as buildings or other inherently permanent structures, including interests in real property. For example, real property includes wiring in a building, plumbing systems, central heating or air-conditioning systems, pipes or ducts, elevators, escalators installed in a building, paved parking areas, roads, wharves and docks, bridges, and sewage lines.

*"Related Person"* means any member of the same Controlled Group as the Issuer or the Borrower and any person related to the Issuer or a Borrower within the meaning of Section 144(a)(3) of the Code.

*"Solar Energy Facility"* means a facility using solar energy to produce electricity.

*"Specially Developed Computer Software"* means any programs or routines used to cause a computer to perform a desired task or set of tasks, and the documentation required to describe and maintain those programs, provided that the software is specially developed and is functionally related and subordinate to real property or other constructed personal property.

*"Tangible Personal Property"* means any tangible property other than real property, including interests in tangible personal property. For example, tangible personal property

includes machinery that is not a structural component of a building, subway cars, fire trucks, automobiles, office equipment, testing equipment, and furnishings.

## EXHIBIT B

### UPDATED DESCRIPTION OF THE PROJECT

| | |
|---|---|
| CFC Application | No. 12 Sulphur Springs Valley EC, Inc. |
| Bond Proceeds Needed for Project: | $560,000 |
| Bond Allocation Requested and Received: | $560,000 |

| | |
|---|---|
| Name of Project | Palominas Elementary School District Photovoltaic Solar Automobile Parking Shade Structure |

Project Addresses

| | |
|---|---|
| Coronado Elementary School<br>5148 Coronado School Drive<br>Sierra Vista, AZ 85650<br>Phone (520) 366-6204 | Valley View Elementary School<br>6849 East Highway 92<br>Hereford, AZ 8561<br>Phone (520) 378-5508 |

| | |
|---|---|
| County | Cochise County |

| | |
|---|---|
| Individual Name to Contact | Jack Blair |
| Company Name | Sulphur Springs Valley Electric Cooperative, Inc. |
| Street Address | 311 E. Wilcox Drive |
| City, State, Zip | Sierra Vista, AZ 85635 |
| Telephone Number | (520) 515-3470 |
| Fax | (520) 458-3467 |

Updated Detailed Description of the Project:

A cantilevered shade structure at a school on the top of which will be constructed a 23kW solar photovoltaic system to supply power to the school. Excess power will flow on to the SSVEC system.

## EXHIBIT C

## ORIGINAL DESCRIPTION OF THE PROJECT

## [COPY OF EXHIBIT A TO ISSUER APPLICATION TO THE IRS]
## CLEAN RENEWABLE ENERGY BONDS APPLICATION
## EXHIBIT A

### SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

### PALOMINAS ELEMENTARY SCHOOL DISTRICT PHOTOVOLTAIC SOLAR SHADE STRUCTURE

This project will place photovoltaic modules costing $280,000 each, that will produce 23 kW of electricity in the automobile parking shade structures in two Palominas Elementary School District school parking lots, as noted in item 9 of the application. The PV structure will provide electricity to the respective school at no charge. There will also be a cable connection to a computer in the library of each school to show students how the system is working.

This project is the identical project that Navopache Electric Cooperative in Arizona built in 2001 that continues to function with no issues/problems.

SSVEC will operate and maintain the structure. Any excess power produced will flow back to the SSVEC grid.

The PV structures at the schools will significantly reduce their electric bills, which have been disproportionately large due to the per meter monthly surcharges mandated by the Environmental Portfolio Program (EPP), and approved by the Arizona Corporation Commission. All customers pay the EPP fees to SSVEC, which uses them to fund renewable energy projects. Since each school has many meters, they pay the EPP a disproportionately large amount of dollars. The benefit of reduced electric bills will offset their payments into the fund.

The RFP issued by Sulphur Springs Valley Electric Cooperative follows.

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.
A TOUCHSTONE ENERGY® COOPERATIVE

FOR THE ELECTRIC COOPERATIVES IN THE STATE OF ARIZONA

# REQUEST
# A
# PROPOSAL

FOR

## A PHOTOVOLTAIC SYSTEM
## USED FOR
## SHADE STRUCTURES
## FOR
## PUBLIC BUILDINGS

**ISSUED: AUGUST 1, 2005**

Narrative: The Electric Cooperatives in Arizona (Duncan Valley EC, Graham County EC, Mohave EC, Navopache EC, Sulphur Springs Valley EC, Trico EC and Arizona Electric Power Cooperative, Inc.) request a proposal for a modular designed system to supply a 10 kW to 30 kW Photovoltaic (PV) system. System size is relative to the space available for the PV panels on each site. System may consist of multiple free standing modules interconnected to meet the 10 to 30 kW size requirement. Modules to be used as free standing carports or free standing covers for walkways to provide shade. These systems are to be used at public buildings to increase the awareness of PV systems and operations and systems will be sized based on the available space. Base pricing for 10, 15, 20, 25, and 30 kW systems are requested (systems may be rounded to the nearest 5kW increment). The interconnection cost from the PV system to nearest distribution panel will be on a case by case basis due to the variation in sites. This RFP is not all inclusive and contractor may include other specifications or requirements they feel are necessary for a successful venture.

This RFP is released on August 1, 2005 and response must be in a written proposal by October 1, 2005. For questions or clarification of details please contact Albert Gomez (520-515-3473) or David Bane (520-515-3472).

SCOPE OF WORK - THE CONTRACTOR WILL BE RESPONSIBLE FOR THE FOLLOWING:

- Structural design of the supporting PV structures (carport and walkway)
- One line circuit diagrams for approval by local Cooperative's engineering department
- Complete wiring diagrams (to be included in owner manual)
- Isolation transformers as needed to meet the NEC
- Purchase and installation of all components
- Systems test period of 4-6 weeks prior to transfer of title of equipment to site owner
- Any required Permits (Cooperative will reimburse actual cost of permits)

- Meter socket on the A/C output of the inverter(s)
- Interconnection with Customers electric service
- Fencing around inverters and other equipment as required for security and public safety
- Project to meet or exceed SunWatts standards
- Basic training for site owner / site operator
- Operators Manual

THE COOPERATIVE WILL PROVIDE THE FOLLOWING:

- Meter to measure AC output from PV system to owners electric panel
- Written permission from site owner to build the PV Module
- Act as the point of contact with the installation Contractor on behalf of the site owner

STRUCTURAL DESIGN REQUIREMENTS:

The basic structure is to support the PV cells but must be able to work as a carport with all the required clearances. Support should be in a cantilever style to allow easy parking, spacing on vertical supports should be in multiples of 10 feet to be able to match typical parking lot spacing, height should allow the parking of full size passenger vans, and structure does not have to be water proof (providing shade to vehicles is secondary to the production of energy). Sample profile (to show intent not required design) is on page 4. Ideal structure would have the ability to support PV panels that would be effective if the long side of the structure is in a North-South as well as East-West orientation.

PV DESIGN REQUIREMENTS:

- PV panels shall have warranty for a minimum of 15 years to cover rated output (out put degradation not to exceed 20% over life of panel)
- All system components will be UL certified
- System will include isolation transformers per section 250-30 of the NEC
- Polyphase inverter with voltage to match customer's system
- Inverter to match capacity of project
- 15 year manufacturers warranty on Inverter (contractor may use an extended warranty insurance policy to meet 15 year requirement)
- Contractor will warranty repair labor at 100% for first 5 years, 66% of labor for second 5 years, and 33% of labor for remaining 5 years, (limited to warranty repairs)
- Interconnection costs from site of PV system to nearest practical distribution panel will be on a case by case basis, (site selection process will keep this as short as possible)

SUNWATTS REQUIREMENTS:

- One-line drawings subject to approval by local Cooperative's engineering department
- Units to operate in parallel with grid
- Includes protection for out of frequency problems
- Low harmonics

## EXHIBIT D

## MONTHLY DRAWDOWN SCHEDULE OF AMOUNTS TO BE ADVANCED TO THE BORROWER PURSUANT TO THE LOAN AGREEMENT

| DATE ON WHICH PROCEEDS ARE EXPECTED TO BE EXPENDED | AMOUNTS OF PROCEEDS TO BE EXPENDED |
|---|---|
| May 19, 2008 | $280,000 |
| May 26, 2008 | $280,000 |

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

To

NATIONAL RURAL UTILITIES
COOPERATIVE FINANCE CORPORATION
Issuer

# LOAN AGREEMENT

Dated as of 12/21, 2007

Clean Renewable Energy Bonds
(Cooperative Renewable Energy Projects) Series 2008A
of National Rural Utilities Cooperative Finance Corporation

CFC LOANAG
AZ014-A-9042-CB001 (JABLONJ)
117581-2

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## LOAN AGREEMENT

**LOAN AGREEMENT** (this "Agreement") dated as of _____, between SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. ("Borrower"), a corporation organized and existing under the laws of the State of Arizona and NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION ("CFC"), a cooperative association organized and existing under the laws of the District of Columbia.

## RECITALS

**WHEREAS,** the Borrower has applied to CFC for a loan for the purposes set forth in Schedule 1 hereto, and CFC is willing to make such a loan to the Borrower on the terms and conditions stated herein; and

**WHEREAS,** the Borrower has agreed to execute a promissory note to evidence an indebtedness in the aggregate principal amount of the CFC Commitment (as hereinafter defined).

**NOW, THEREFORE,** for and in consideration of the premises and the mutual covenants hereinafter contained, the parties hereto agree and bind themselves as follows:

## ARTICLE I

## DEFINITIONS

**Section 1.01** For purposes of this Agreement, the following capitalized terms shall have the following meanings (such definitions to be equally applicable to the singular and the plural form thereof). Capitalized terms that are not defined herein shall have the meanings as set forth in the Mortgage.

**"Accounting Requirements"** shall mean any system of accounts prescribed by a federal regulatory authority having jurisdiction over the Borrower or, in the absence thereof, the requirements of GAAP applicable to businesses similar to that of the Borrower.

**"Advance"** shall mean each advance of funds by CFC to the Borrower pursuant to the terms and conditions of this Agreement, including the Initial Advance and the Primary Advance.

**"Authorized Officer of the Borrower"** means the Chairman, General Manager or Chief Financial Officer of the Borrower or any other person authorized by the Board of the Borrower so to act or any other person performing a function similar to the function performed by any such officer or authorized person.

**"Average DSC Ratio"** shall mean the average of the Borrower's two highest annual DSC Ratios during the most recent three calendar years.

**"Bond Counsel"** means an attorney at law or a firm of attorneys (designated by CFC and acceptable to the Trustee) of nationally recognized standing in matters pertaining to the tax-exempt nature of interest or tax credits on bonds issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of any state of the United States of America.

**"Business Day"** shall mean any day that both CFC and the depository institution CFC utilizes for funds transfers hereunder are open for business.

**"CFC Commitment"** shall have the meaning as defined in Schedule 1.

**"CFC CREB Rate"** shall mean the interest rate charged by CFC for loans made by CFC from proceeds of the CREBs which rate shall not exceed one hundred and fifty basis points (150/100 of 1%) per annum.

**"Closing Date"** shall mean the date CFC issues the CREBs.

**"Code"** shall mean the Internal Revenue Code of 1986, as supplemented and amended.

**"Completion Certificate"** shall mean the certificate of the Borrower required by Section 5.01.P of this Agreement, substantially in the form of Exhibit C hereto.

**"CREBs"** shall mean the series of Securities issued by CFC to provide financing for the Project.

**"CREB Maturity Date"** shall mean the maturity date of the CREBs, which shall be the December 15th prior to the Maximum CREB Term Anniversary Date.

**"Debt Service Coverage ("DSC") Ratio"** shall mean the ratio determined as follows: for any calendar year add (i) Operating Margins, (ii) Non-Operating Margins--Interest, (iii) Interest Expense, (iv) Depreciation and Amortization Expense, and (v) cash received in respect of generation and transmission and other capital credits, and divide the sum so obtained by the sum of all payments of Principal and Interest Expense required to be made during such calendar year; provided, however, that in the event that any amount of Long-Term Debt has been refinanced during such year, the payments of Principal and Interest Expense required to be made during such year on account of such refinanced amount of Long-Term Debt shall be based (in lieu of actual payments required to be made on such refinanced amount of Long-Term 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 payment of Principal and Interest Expense required to be made during the following year on account of such refinancing debt.

**"Default Rate"** shall mean a rate per annum equal to one hundred and fifty basis points (150/100 of 1%).

**"Depreciation and Amortization Expense"** shall mean an amount constituting the depreciation and amortization of the Borrower computed pursuant to Accounting Requirements.

**"Determination of Tax Credit Ineligibility"** shall mean a determination that a particular series of Securities does not qualify for a tax credit for the owner thereof under Section 54 of the Code, which determination shall be deemed to have been made upon the occurrence of the first to occur of the following:

(a) the date on which CFC determines that there is a significant likelihood that a particular series of Securities may not qualify for a tax credit, if such determination is supported by a written opinion of Bond Counsel to that effect; or

(b) the date on which CFC shall receive notice in writing that the Trustee has been advised by the owner of any Security that a particular series of Securities does not qualify for a tax credit for the owner thereof, based upon a final determination made either by: (A) the Internal Revenue Service in a published or private ruling or technical advice memorandum or (B) any court of competent jurisdiction in the United States of America, as a result of a failure by CFC or any borrower to observe any agreement or representation in the Tax Compliance Agreement or a Loan Agreement or Project Agreement relating to the proceeds of the Securities. Any such determination will not be considered final for this purpose unless the Owner of the Securities involved in the proceeding or action resulting in the determination (i) gives CFC and the Trustee prompt written notice of the commencement thereof and (ii) if CFC agrees to pay all expenses in connection therewith and to indemnify such Owner of the Securities against all liabilities in connection therewith, offers CFC an opportunity to contest the determination, either directly or in the name of the Owner of the Securities, and until conclusion of any review, if sought.

**"Distributions"** shall mean, with respect to the Borrower, any dividend, patronage refund, patronage capital retirement or cash distribution to its members, or consumers (including but not limited to any general cancellation or abatement of charges for electric energy or services furnished by the Borrower). The term "Distribution" shall *not* include (a) a distribution by the Borrower to the estate of a deceased patron, (b) repayment by the Borrower of a membership fee upon termination of a membership, or (c) any rebate to a patron resulting from a cost abatement received by the Borrower, such as a reduction of wholesale power cost previously incurred.

**"Draw Period"** shall have the meaning as described in Schedule 1 hereto.

**"Environmental Laws"** shall mean all laws, rules and regulations promulgated by any Governmental Authority, with which Borrower is required to comply, regarding the use, treatment, discharge, storage, management, handling, manufacture, generation, processing, recycling, distribution, transport, release of or exposure to any Hazardous Material.

**"Equity"** shall mean the aggregate of the Borrower's equities and margins computed pursuant to Accounting Requirements.

**"Event of Default"** shall have the meaning as described in Article VI hereof.

**"Funds Requisition Statement"** shall mean the certificate of the Borrower, in the form set forth as Exhibit A to this Agreement, by which the Borrower will obtain an advance of funds from CFC under the Loan.

**"GAAP"** shall mean generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board.

**"Governmental Authority"** shall mean the government of the United States of America, any other nation or government, any state or other political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

**"Hazardous Material"** shall mean any (a) petroleum or petroleum products, radioactive materials, asbestos-containing materials, polychlorinated biphenyls, lead and radon gas, and (b) any

other substance designated as hazardous or toxic or as a pollutant or contaminant under any Environmental Law.

**"Indenture"** shall mean the Indenture between CFC and U.S. Bank Trust Company National Association, relating to the first issue of Securities, pursuant to which the Securities, including the CREBs are issued, as supplemented and amended.

**"Initial Advance"** shall mean the Advance made by CFC on the Closing Date pursuant to Section 3.02.A hereof to fund a portion of CFC's costs in issuing the CREBs attributable to the CFC Commitment, including, but not limited to, original issue discount, underwriting discount and other costs of issuance, including, without limitation, rating agency costs and legal, underwriting and Trustee expenses.

**"Interest Expense"** shall mean an amount constituting the interest expense with respect to Long-Term Debt of the Borrower computed pursuant to Accounting Requirements. 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 Restricted Rentals paid by the Borrower over 2% of the Borrower's Equity.

**"Lien"** shall mean any statutory or common law consensual or non-consensual mortgage, pledge, security interest, encumbrance, lien, right of set off, claim or charge of any kind, including, without limitation, any conditional sale or other title retention transaction, any lease transaction in the nature thereof and any secured transaction under the Uniform Commercial Code.

**"Loan"** shall mean the loan made by CFC to the Borrower, pursuant to this Agreement and the Note, in an aggregate principal amount not to exceed the CFC Commitment.

**"Loan Capital Term Certificate" or "LCTC"** shall mean a certificate, or book entry form of account, evidencing the Borrower's purchase of equity in CFC.

**"Loan Documents"** shall mean this Agreement, the Note, the Mortgage, the Project Agreement and all other documents or instruments executed, delivered or executed and delivered by the Borrower and evidencing, securing, governing or otherwise pertaining to, the Loan.

**"Long-Term Debt"** shall mean an amount constituting the long-term debt of the Borrower computed pursuant to Accounting Requirements.

**"Maturity Date"** shall mean the Payment Date immediately prior to the CREB Maturity Date permitted for the CREBs under Section 54(e)(2) of the Code as in effect on the Closing Date.

**"Maximum CREB Term Anniversary Date"** shall mean the anniversary of the Closing Date that occurs at the maximum term permitted for the CREBs under Section 54(e)(2) of the Code as in effect on the Closing Date.

**"Mortgage"** shall have the meaning as described in Schedule 1 hereto.

**"Mortgaged Property"** shall have the meaning ascribed to it in the Mortgage.

**"Non-Operating Margins--Interest"** shall mean the amount representing the interest component of non-operating margins of the Borrower computed pursuant to Accounting Requirements.

**"Note"** shall mean the secured promissory note, payable to the order of CFC, executed by the Borrower, dated as of even date herewith, pursuant to this Agreement as identified on Schedule 1 hereto and shall include any substitute note or modification thereto.

**"Obligations"** shall mean any and all liabilities, obligations or indebtedness owing by the Borrower to CFC, of any kind or description, irrespective of whether for the payment of money, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising.

**"Operating Margins"** shall mean the amount of patronage capital and operating margins of the Borrower computed pursuant to Accounting Requirements.

**"Payment Date"** shall mean the first (1st) day of each of March, June and September and December.

**"Payment Notice"** shall mean a notice furnished by CFC to the Borrower that indicates the amount of each payment of interest or interest and principal and the total amount of each payment due.

**"Permitted Encumbrances"** shall have the meaning ascribed to it in the Mortgage.

**"Person"** shall mean natural persons, cooperatives, corporations, limited liability companies, limited partnerships, general partnerships, limited liability partnerships, joint ventures, associations, companies, trusts or other organizations, irrespective of whether they are legal entities, and Governmental Authorities.

**"Primary Advance"** shall mean the Advance made by CFC to the Borrower pursuant to Section 3.02.B hereof two Business Days after the Closing Date to reimburse Borrower for costs of the Project.

**"Principal"** shall mean the amount of principal billed on account of Long-Term Debt of the Borrower computed pursuant to Accounting Requirements.

**"Project"** shall mean the project being financed pursuant to the Loan, as further described in Schedule 1.

**"Project Account"** means an account created pursuant to the Indenture within the Project Fund related to the CREBs.

**"Project Agreement"** shall mean the Project Agreement, dated as of even date herewith, executed by the Borrower with respect to the Project and the CREBs.

**"Project Fund"** means the Project Fund created and identified as such in the Indenture.

**"Restricted Rentals"** shall mean all rentals required to be paid under finance leases and charged to income, exclusive of any amounts paid under any such lease (whether or not designated therein as rental or additional rental) for maintenance or repairs, insurance, taxes, assessments, water rates or similar charges. For the purpose of this definition the term "finance lease" shall mean any lease having a rental term (including the term for which such lease may be renewed or extended at the option of the lessee) in excess of three (3) years and covering property having an initial cost in excess of $250,000 other than automobiles, trucks, trailers, other vehicles (including without

limitation aircraft and ships), office, garage and warehouse space and office equipment (including without limitation computers).

**"Securities"** shall mean one or more series of clean renewable energy bonds issued by CFC under the Indenture.

**"Subsidiary"** as to any Person, shall mean a corporation, partnership, limited partnership, limited liability company or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise qualified, all references to a "Subsidiary" or to "Subsidiaries" in this Agreement shall refer to a Subsidiary or Subsidiaries of the Borrower.

**"Tax Compliance Agreement"** means a tax compliance certificate and agreement of CFC with respect to a series of Securities, as accepted by the Trustee, as amended.

**"Termination Certificate"** shall mean the certificate of the Borrower required by Section 5.01.Q of this Agreement, substantially in the form of Exhibit D hereto.

**"Total Assets"** shall mean an amount constituting the total assets of the Borrower computed pursuant to Accounting Requirements.

**"Total Utility Plant"** shall mean the amount constituting the total utility plant of the Borrower computed pursuant to Accounting Requirements.

**"Trustee"** shall mean U.S. Bank Trust Company National Association and its successors and assigns.

## ARTICLE II

## REPRESENTATIONS AND WARRANTIES

**Section 2.01** The Borrower represents and warrants to CFC that as of the date of this Agreement:

**A. Good Standing.** The Borrower is duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization, is duly qualified to do business and is in good standing in those states in which it is required to be qualified to conduct its business. The Borrower is a member in good standing of CFC.

**B. Subsidiaries and Ownership.** Schedule 1 hereto sets forth a complete and accurate list of the Subsidiaries of the Borrower showing the percentage of the Borrower's ownership of the outstanding stock, membership interests or partnership interests, as applicable, of each Subsidiary.

**C. Authority; Validity.** The Borrower has the power and authority to enter into this Agreement, the Note, the Project Agreement and the Mortgage; to make the borrowing hereunder; to execute and deliver all documents and instruments required hereunder and to incur and perform the obligations provided for herein, in the Note, in the Project Agreement and in the Mortgage, all of which have been duly authorized by all necessary and proper action; and no consent or approval of

any Person, including, as applicable and without limitation, members of the Borrower, which has not been obtained is required as a condition to the validity or enforceability hereof or thereof.

Each of this Agreement, the Note, the Project Agreement and the Mortgage is, and when fully executed and delivered will be, legal, valid and binding upon the Borrower and enforceable against the Borrower in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity.

**D. No Conflicting Agreements.** The execution and delivery of the Loan Documents and performance by the Borrower of the obligations thereunder, and the transactions contemplated hereby or thereby, will not: (i) violate any provision of law, any order, rule or regulation of any court or other agency of government, any award of any arbitrator, the articles of incorporation or by-laws of the Borrower, or any indenture, contract, agreement, mortgage, deed of trust or other instrument to which the Borrower is a party or by which it or any of its property is bound; or (ii) be in conflict with, result in a breach of or constitute (with due notice and/or lapse of time) a default under, any such award, indenture, contract, agreement, mortgage, deed of trust or other instrument, or result in the creation or imposition of any Lien (other than contemplated hereby) upon any of the property or assets of the Borrower.

The Borrower is not in default in any material respect under any agreement or instrument to which it is a party or by which it is bound and no event or condition exists which constitutes a default, or with the giving of notice or lapse of time, or both, would constitute a default under any such agreement or instrument.

**E. Taxes.** The Borrower, and each of its Subsidiaries, has filed or caused to be filed all federal, state and local tax returns which are required to be filed and has paid or caused to be paid all federal, state and local taxes, assessments, and governmental charges and levies thereon, including interest and penalties to the extent that such taxes, assessments, and governmental charges and levies have become due, except for such taxes, assessments, and governmental charges and levies which the Borrower or any Subsidiary is contesting in good faith by appropriate proceedings for which adequate reserves have been set aside.

**F. Licenses and Permits.** The Borrower has duly obtained and now holds all licenses, permits, certifications, approvals and the like necessary to own and operate its property and business that are required by Governmental Authorities and each remains valid and in full force and effect.

**G. Litigation.** There are no outstanding judgments, suits, claims, actions or proceedings pending or, to the knowledge of the Borrower, threatened against or affecting the Borrower, its Subsidiaries or any of their respective properties which, if adversely determined, either individually or collectively, would have a material adverse effect upon the business, operations, prospects, assets, liabilities or financial condition of the Borrower or its Subsidiaries. The Borrower and its Subsidiaries are not, to the Borrower's knowledge, in default or violation with respect to any judgment, order, writ, injunction, decree, rule or regulation of any Governmental Authority which would have a material adverse effect upon the business, operations, prospects, assets, liabilities or financial condition of the Borrower or its Subsidiaries.

**H. Financial Statements.** The balance sheet of the Borrower as at the date identified in Schedule 1 hereto, the statement of operations of the Borrower for the period ending on said date, and the interim financial statements of the Borrower, all heretofore furnished to CFC, are complete and correct. Said balance sheet fairly presents the financial condition of the Borrower as at said date

and said statement of operations fairly reflects its operations for the period ending on said date. The Borrower has no contingent obligations or extraordinary forward or long-term commitments except as specifically stated in said balance sheet or herein. There has been no material adverse change in the financial condition or operations of the Borrower from that set forth in said financial statements except changes disclosed in writing to CFC prior to the date hereof.

I. **Borrower's Legal Status.** Schedule 1 hereto accurately sets forth: (i) the Borrower's exact legal name, (ii) the Borrower's organizational type and jurisdiction of organization, (iii) the Borrower's organizational identification number or accurate statement that the Borrower has none, and (iv) the Borrower's place of business or, if more than one, its chief executive office as well as the Borrower's mailing address if different.

J. **Required Approvals.** Other than the CREBs allocation received from the Internal Revenue Service, no license, consent or approval of any Governmental Authority is required to enable the Borrower to enter into this Agreement, the Project Agreement, the Note and the Mortgage, or to perform any of its Obligations provided for in such documents, including without limitation (and if applicable), that of any state public utilities commission, any state public service commission, and the Federal Energy Regulatory Commission, except as disclosed in Schedule 1 hereto, all of which the Borrower has obtained prior to the date hereof.

K. **Compliance With Laws.** The Borrower and each Subsidiary is in compliance, in all material respects, with all applicable requirements of law and all applicable rules and regulations of each Governmental Authority.

L. **Disclosure.** To the Borrower's knowledge, information and belief, neither this Agreement nor any document, certificate or financial statement furnished to CFC by or on behalf of the Borrower in connection herewith (all such documents, certificates and financial statements, taken as a whole) contains any untrue statement of a material fact or omits to state any material fact necessary in order to make the statements contained herein and therein not misleading.

M. **No Other Liens.** As to property which is presently included in the description of Mortgaged Property, the Borrower has not, without the prior written approval of CFC, executed or authenticated any security agreement or mortgage, or filed or authorized any financing statement to be filed with respect to assets owned by it, other than security agreements, mortgages and financing statements in favor of CFC, except as disclosed in writing to CFC prior to the date hereof or relating to Permitted Encumbrances.

N. **Environmental Matters.** Except as to matters which individually or in the aggregate would not have a material adverse effect upon the business or financial condition of the Borrower or its Subsidiaries, (i) Borrower is in compliance with all Environmental Laws (including, but not limited to, having any required permits and licenses), (ii) there have been no releases (other than releases remediated in compliance with Environmental Laws) from any underground or aboveground storage tanks (or piping associated therewith) that are or were present at the Mortgaged Property, (iii) Borrower has not received written notice or claim of any violation of any Environmental Law, (iv) there is no pending investigation of Borrower in regard to any Environmental Law, and (v) to the best of Borrower's knowledge, there has not been any release or contamination (other than releases or contamination remediated in compliance with Environmental Laws) resulting from the presence of Hazardous Materials on property owned, leased or operated by the Borrower.

O. **Project Agreement.** As set forth in the Project Agreement, the Project constitutes "a qualified project" as defined in Section 54(d)(2)(A) of the Code. As set forth in the Project Agreement,

the Borrower constitutes currently, and will remain through the period that the CREBs remain outstanding, "a Qualified Borrower", meaning a (i) mutual or cooperative electric company described in Sections 501(c)(12) or 1381(a)(2)(C) of the Code, or (ii) a Governmental Body, which is defined as any state, territory possession of the U.S., the District of Columbia, Indian tribal government, and any political subdivision thereof. The statements, information and descriptions contained in the Project Agreement are true, correct and complete, and do not contain any untrue statement or misleading statement of a material fact, and do not omit to state a material fact required to be stated therein or necessary to make the statements, information and descriptions contained therein, in the light of the circumstances under which they were made, not misleading, and the estimates and the assumptions contained in the Project Agreement are reasonable and based on the best information available to the Borrower.

## ARTICLE III

## LOAN

**Section 3.01 Definitions.** For purposes of this Article 3, the following capitalized terms shall have the following meanings:

**"Borrower's Annual Bond Repayment Amount"** shall mean the amount determined by dividing the CFC Commitment by the number of years from the Closing Date to the Maximum CREB Term Anniversary Date, which amount shall be recalculated on the date CFC rescinds any excess moneys pursuant to Section 3.05 or 3.06 hereof.

**"Quarterly Bond Deposit Amount"** shall mean for each Payment Date, the amount determined by subtracting from the Quarterly Bond Repayment Amount the principal amount payable by the Borrower pursuant to Section 3.03.A(ii)(b)(1) on such Payment Date.

**"Quarterly Bond Repayment Amount"** shall mean one-fourth (¼) of the Borrower's Annual Bond Repayment Amount.

**Section 3.02 Advances.** The obligation of the Borrower to repay the Advances shall be evidenced by the Note. The aggregate amount of all Advances made hereunder shall not exceed the CFC Commitment. At the end of the Draw Period, CFC shall have no further obligation to make Advances.

A. **Initial Advance.** Borrower hereby agrees that on the Closing Date, CFC shall automatically, and without action by Borrower, make the Initial Advance. On the Closing Date, CFC shall notify Borrower of the final amount of the Initial Advance and the amount of the CFC Commitment remaining for Borrower to subsequently Advance.

B. **Subsequent Advances.**

(i) The Borrower may submit a request for the Primary Advance to CFC in writing (which may be submitted by facsimile) no later than 12:00 noon local time at CFC's offices in Herndon, Virginia seven Business Days prior to the Closing Date. The Primary Advance may be requested in any amount up to the CFC Commitment. CFC shall make the Primary Advance two Business Days after the Closing Date in the lesser of (i) the aggregate amount of such requested Primary Advance, and (ii) the amount of the CFC Commitment less the amount of the Initial Advance.

(ii) Except as set forth in 3.02.A and 3.02.B(i) hereof, the Borrower shall submit its request for an Advance to CFC in writing (which may be submitted by facsimile) no later than 12:00 noon local time at CFC's offices in Herndon, Virginia at least two (2) Business Days prior to the last Business Day of any calendar month. Borrower may make multiple requests for Advances during any calendar month in any amount so long as the aggregate amount of all Advances requested in such month is in an amount not less than $100,000.00; *provided, however* that at such time as there remains less than $100,000.00 available for Advance hereunder, Borrower may request the entirety of such remaining amount. CFC shall make a single Advance to Borrower on the first Business Day of the calendar month following Borrower's request(s) for an Advance. Such Advance shall be in the aggregate amount of all Advances requested by Borrower in the prior month, *provided however* that at such time as there remains less than $100,000.00 available for Advance hereunder and Borrower requests the entirety of such remaining amount, CFC shall Advance the entirety of such remaining amount.

**Section 3.03 Interest Rate and Payment.** The Note shall be payable and bear interest as follows:

**A. Payments; Maturity; Amortization.**

(i) The Note shall be due and payable on the Maturity Date.

(ii) On each Payment Date, the Borrower shall promptly pay the following:

(a) accrued interest on the principal amount of the Loan outstanding less the amount of the Initial Advance; and

(b) the Quarterly Bond Repayment Amount, consisting of:

(1) the principal amount due on any outstanding Advances, determined on the basis of a quarterly amortization schedule from the date of each Advance; and

(2) the Quarterly Bond Deposit Amount.

(iii) If not sooner paid, any amount due on account of the unpaid principal, interest accrued thereon and fees, if any, shall be due and payable on the Maturity Date.

(iv) Each Advance shall amortize on a level principal payment basis from the date thereof through the Maturity Date.

(v) CFC will furnish to the Borrower a Payment Notice at least ten (10) days before each Payment Date, provided, however, that CFC's failure to send a Payment Notice shall not constitute a waiver by CFC or be deemed to relieve the Borrower of its obligation to make payments as and when due as provided for herein.

(vi) No provision of this Agreement or of any Note shall require the payment, or permit the collection, of interest in excess of the highest rate permitted by applicable law.

Borrower agrees that the records of, and all computations by, CFC (in whatever media they are recorded or maintained) as to the amount of principal, interest, fees and Quarterly Bond Deposit Amount due on the Loan shall be conclusive in the absence of manifest error.

**B. Application of Payments.** Each payment shall be applied to the Loan, first to any fees, costs, expenses or charges other than interest or principal, second to interest accrued, third to the Quarterly Bond Deposit Amount and the balance to principal.

**C. Application of Bond Repayment Deposit.** At such time as the aggregate amount billed by CFC in any calendar year on account of amortized principal under this Agreement exceeds the Borrower's Annual Bond Repayment Amount for such year, CFC shall apply a portion of the Borrower's prior payments of the Quarterly Bond Deposit Amount in the amount of such overage to principal then due. Until such time, Borrower's payments of the Quarterly Bond Deposit Amount shall not reduce the amount of principal outstanding and subject to amortization. Any amount paid by the Borrower under this Agreement on account of the Quarterly Bond Deposit Amount in excess of the principal amount of the fully advanced Loan shall be refunded to the Borrower on the Maturity Date.

**D. Interest Rate Computation.** Each Advance except the Initial Advance shall bear interest at the CFC CREB Rate which shall apply until the Maturity Date. The Initial Advance shall not bear interest. Interest on Advances shall be computed on the basis of a 30-day month and 360-day year.

**Section 3.04. Extraordinary Obligation to Prepay**. Upon a Determination of Tax Credit Ineligibility that subjects the CREBs to an extraordinary mandatory redemption due to a failure of the Borrower to observe any agreement or representation in this Loan Agreement (as more particularly described in paragraph (b) of the defined term "Determination of Tax Credit Ineligibility"), the Borrower shall prepay the Loan, or such part thereof as determined by CFC, at such times and in such amounts as determined by CFC within sixty (60) days of such determination together with a prepayment premium prescribed by CFC pursuant to its policies of general application in effect from time to time.

**Section 3.05. Rescission of Excess Moneys; Fee.** If the Borrower has not drawn down the full amount of the CFC Commitment at (i) the time of filing the Completion Certificate under Section 5.01P. hereof, (ii) the time of filing the Termination Certificate under 5.01Q. hereof, (iii) a Determination of Tax Credit Ineligibility or (iv) the end of the Draw Period, a corresponding rescission of the amount of principal available to be drawn on the Note as calculated by CFC shall automatically be made without further action by the Borrower. CFC shall release the Borrower from its obligations hereunder as to such rescinded portion, provided the Borrower complies with such terms and conditions as CFC may impose for such release including, without limitation, payment of any rescission fee that CFC may from time to time prescribe, pursuant to its policies of general application.

**Section 3.06. Cancellation of Excess Moneys.** If the Borrower has not drawn down the full amount of the CFC Commitment at the time CFC determines that it will cease making Advances hereunder pursuant to Section 7.01 hereof, a corresponding cancellation of the amount of principal available to be drawn on the Note as calculated by CFC shall automatically be made without action by the Borrower.

**Section 3.07. Default Rate.** If Borrower defaults on its obligation to make a payment due hereunder by the applicable Payment Date, and such default continues for thirty days thereafter, then

beginning on the thirty-first day after the Payment Date and for so long as such default continues, Advances shall bear interest at the Default Rate.

**Section 3.08. Patronage Capital; Interest Rate Discounts.** No patronage capital shall be earned, and no interest rate discounts shall apply, to the Loan.

**Section 3.09. Optional Prepayment.** Except for prepayments made pursuant to Section 3.04 hereof, no prepayment of any Advance, in whole or in part, may be made by the Borrower.

## ARTICLE IV

## CONDITIONS OF LENDING

**Section 4.01** The obligation of CFC to make any Advance hereunder is subject to satisfaction of the following conditions in form and substance satisfactory to CFC:

**A. Legal Matters.** All legal matters incident to the consummation of the transactions hereby contemplated shall be satisfactory to counsel for CFC.

**B. Documents.** CFC shall have been furnished with (i) the executed Loan Documents, (ii) certified copies of all such organizational documents and proceedings of the Borrower authorizing the transactions hereby contemplated as CFC shall require, (iii) an opinion of counsel for the Borrower addressing such legal matters as CFC shall reasonably require, and (iv) all other such documents as CFC may reasonably request.

**C. Government Approvals.** The Borrower shall have furnished to CFC true and correct copies of all certificates, authorizations, consents, permits and licenses from Governmental Authorities necessary for the execution or delivery of the Loan Documents or performance by the Borrower of the obligations thereunder.

**D. Representations and Warranties.** The representations and warranties contained in Article II shall be true on the date of the making of each Advance hereunder with the same effect as though such representations and warranties had been made on such date; no Event of Default and no event which, with the lapse of time or the notice and lapse of time would become such an Event of Default, shall have occurred and be continuing or will have occurred after giving effect to each Advance on the books of the Borrower; there shall have occurred no material adverse change in the business or condition, financial or otherwise, of the Borrower; and nothing shall have occurred which in the opinion of CFC materially and adversely affects the Borrower's ability to perform its obligations hereunder.

**E. Mortgage Recordation.** The Mortgage (and any amendments, supplements or restatements as CFC may require from time to time) shall have been duly filed, recorded or indexed in all jurisdictions necessary (and in any other jurisdiction that CFC shall have reasonably requested) to provide CFC a lien, subject to Permitted Encumbrances, on all of the Borrower's real property, all in accordance with applicable law, and the Borrower shall have paid all applicable taxes, recording and filing fees and caused satisfactory evidence thereof to be furnished to CFC.

**F. UCC Filings.** Uniform Commercial Code financing statements (and any continuation statements and other amendments thereto that CFC shall require from time to time) shall have been duly filed, recorded or indexed in all jurisdictions necessary (and in any other jurisdiction that CFC

shall have reasonably requested) to provide CFC a perfected security interest, subject to Permitted Encumbrances, in the Mortgaged Property which may be perfected by the filing of a financing statement, all in accordance with applicable law, and the Borrower shall have paid all applicable taxes, recording and filing fees and caused satisfactory evidence thereof to be furnished to CFC.

G. **Requisitions.** The Borrower will requisition each Advance by submitting its written requisition to CFC in the form attached as Exhibit A hereto. Requisitions for Advances shall be made only for the purposes set forth in Schedule 1 hereto.

H. **Other Information.** The Borrower shall have furnished such other information as CFC may reasonably require, including but not limited to (i) information regarding the specific purpose for an Advance and the use thereof, (ii) feasibility studies, cash flow projections, financial analyses and pro forma financial statements sufficient to demonstrate to CFC's reasonable satisfaction that after giving effect to the Advance requested, the Borrower shall continue to achieve the DSC ratio set forth in Section 5.01.A herein, to meet all of its debt service obligations, and otherwise to perform and to comply with all other covenants and conditions set forth in this Agreement, and (iii) any other information as CFC may reasonably request. CFC's obligation to make any Advance hereunder is conditioned upon prior receipt and approval of the Borrower's written requisition and other information and documentation, if any, as CFC may have requested pursuant to this paragraph.

I. **Issuance of Bonds.** CFC shall have issued CREBs in an amount not less than the CFC Commitment.

J. **CREB Allocation.** CFC shall have received an allocation in the amount of the CFC Commitment from the U.S. Department of Treasury for the Borrower's Project under its Securities program.

K. **Tax Credit Ineligibility.** There shall have occurred no Determination of Tax Credit Ineligibility with regard to the Borrower or the Project.

L. **Bring Down Certificate.** Two (2) Business Days prior to the Closing Date, the Borrower shall furnish CFC with a certificate of an Authorized Officer of the Borrower in the form of Exhibit B hereto, certifying that all of the representations and warranties set forth in Article II hereof are true on the Closing Date.

## ARTICLE V

## COVENANTS

**Section 5.01 Affirmative Covenants.** The Borrower covenants and agrees with CFC that until payment in full of the Note and performance of all obligations of the Borrower hereunder:

A. **Financial Ratios; Design of Rates.** The Borrower shall achieve an Average DSC Ratio of not less than 1.35. The Borrower shall not decrease its rates for electric service if it has failed to achieve a DSC Ratio of 1.35 for the calendar year prior to such reduction subject only to an order from a Governmental Authority properly exercising jurisdiction over the Borrower.

B. **Loan Proceeds.** The Borrower shall use the proceeds of this Loan solely for the purposes identified on Schedule 1 hereto.

**C. Notice.** The Borrower shall promptly notify CFC in writing of:

(i) any material adverse change in the business, operations, prospects, assets, liabilities or financial condition of the Borrower;

(ii) the institution or threat of any litigation or administrative proceeding of any nature involving the Borrower which could materially affect the business, operations, prospects, assets, liabilities or financial condition of the Borrower;

(iii) the occurrence of an Event of Default hereunder, or any event that, with the giving of notice or lapse of time, or both, would constitute an Event of Default.

**D. Default Notices.** Upon receipt of any notices with respect to a default by the Borrower under the terms of any evidence of any indebtedness with parties other than CFC or of any loan agreement, mortgage or other agreement relating thereto, the Borrower shall deliver copies of such notice to CFC.

**E. Annual Certificates.**

(i) Within one hundred twenty (120) days after the close of each calendar year, commencing with the year in which the initial Advance hereunder shall have been made, the Borrower will deliver to CFC a written statement, in form and substance satisfactory to CFC, signed by the Borrower's General Manager or Chief Executive Officer, stating that during such year, and that to the best of said person's knowledge, the Borrower has fulfilled all of its obligations under this Agreement, the Project Agreement, the Note, and the Mortgage throughout such year or, if there has been a default in the fulfillment of any such obligations, specifying each such default known to said person and the nature and status thereof.

(ii) The Borrower shall deliver to CFC within one hundred twenty (120) days of CFC's written request, which shall be no more frequently than once every year, a certification, in form and substance satisfactory to CFC, regarding the condition of the Mortgaged Property prepared by a professional engineer satisfactory to CFC. The Borrower shall also deliver to CFC such other information as CFC may reasonably request from time to time.

**F. Loan Capital Term Certificate Purchase.** The Borrower will purchase LCTCs, if required, in an amount calculated pursuant to CFC's policies of general application and shall pay for such LCTCs as required thereby. CFC's policies with respect to such LCTCs are set forth in Schedule 1.

**G. Financial Books; Financial Reports; Right of Inspection.** The Borrower will at all times keep, and safely preserve, proper books, records and accounts in which full and true entries will be made of all of the dealings, business and affairs of the Borrower, in accordance with Accounting Requirements. When requested by CFC, the Borrower will prepare and furnish CFC from time to time, periodic financial and statistical reports on its condition and operations. All of such reports shall be in such form and include such information as may be specified by CFC. Within one hundred twenty (120) days of the end of each calendar year during the term hereof, the Borrower shall furnish to CFC a full and complete report of its financial condition and statement of its operations as of the end of such calendar year, in form and substance satisfactory to CFC. In addition, within one hundred twenty (120) days of the end of each the Borrower's fiscal years during the term hereof, the Borrower shall furnish to CFC a full and complete consolidated and consolidating report of its financial condition and statement of its operations as of the end of such fiscal year,

audited and certified by independent certified public accountants nationally recognized or otherwise satisfactory to CFC and accompanied by a report of such audit in form and substance satisfactory to CFC, including without limitation a consolidated and consolidating balance sheet and the related consolidated and consolidating statements of income and cash flow. CFC, through its representatives, shall at all times during reasonable business hours and upon prior notice have access to, and the right to inspect and make copies of, any or all books, records and accounts, and any or all invoices, contracts, leases, payrolls, canceled checks, statements and other documents and papers of every kind belonging to or in the possession of the Borrower or in anyway pertaining to its property or business.

H. **Notice of Additional Secured Debt.** The Borrower will notify CFC promptly in writing if it incurs any additional secured indebtedness other than indebtedness to CFC or indebtedness otherwise provided for in the Mortgage.

I. **Funds Requisition.** The Borrower agrees (i) that CFC may rely conclusively upon the written instructions submitted to CFC in the Borrower's written request for an Advance hereunder, (ii) that such instructions shall constitute a covenant under this Agreement to repay the Advance in accordance with such instructions, the applicable Note, the Mortgage, the Project Agreement and this Agreement, and (iii) to request Advances only for the purposes set forth in Schedule 1 hereto.

J. **Compliance With Laws.** The Borrower and each Subsidiary shall remain in compliance, in all material respects, with all applicable requirements of law and applicable rules and regulations of each Governmental Authority.

K. **Taxes.** The Borrower shall pay, or cause to be paid all taxes, assessments or governmental charges lawfully levied or imposed on or against it and its properties prior to the time they become delinquent, except for any taxes, assessments or charges that are being contested in good faith and with respect to which adequate reserves as determined in good faith by the Borrower have been established and are being maintained.

L. **Further Assurances.** The Borrower shall execute any and all further documents, financing statements, agreements and instruments, and take all such further actions (including the filing and recording of financing statements, fixture filings, mortgages, deeds of trust and other documents), which may be required under any applicable law, or which CFC may reasonably request, to effectuate the transactions contemplated by the Loan Documents or to grant, preserve, protect or perfect the Liens created or intended to be created thereby. The Borrower also agrees to provide to CFC, from time to time upon request, evidence reasonably satisfactory to CFC as to the perfection and priority of the Liens created or intended to be created by the Loan Documents.

M. **Environmental Covenants.** Borrower shall:

(i) at its own cost, comply in all material respects with all applicable Environmental Laws, including, but not limited to, any required remediation; and

(ii) if it receives any written communication alleging Borrower's violation of any Environmental Law, provide CFC with a copy thereof within ten (10) Business Days after receipt, and promptly take appropriate action to remedy, cure, defend, or otherwise affirmatively respond to the matter.

N. **Limitations on Loans, Investments and Other Obligations.** The aggregate amount of all purchases, investments, loans, guarantees, commitments and other obligations described in

Section 5.02.D(i) of this Agreement shall at all times be less than fifteen percent (15%) of Total Utility Plant or fifty percent (50%) of Equity, whichever is greater.

O. **Tax Status of the CREBs.** The Borrower shall utilize the Project or cause it to be utilized as provided in the Project Agreement until the CREB Maturity Date. No use will be made of the proceeds of the CREBs other than as set forth herein and in the Project Agreement and no changes will be made in the Project or in the operation or beneficial use thereof (including, without limiting the generality of the foregoing, the use of the Project by the Borrower or any related person) without an opinion of Bond Counsel that such a use or change will not adversely affect the eligibility of the CREBs to qualify for a tax credit for the owner thereof, for federal income tax purposes. The Borrower agrees and warrants that it will not take or authorize or permit any action to be taken and has not taken or authorized or permitted any action to be taken and will not fail to take any action to comply with the Project Agreement which adversely affects the eligibility of the CREBs to qualify for a tax credit for the owner thereof, for federal income tax purposes. This agreement and warranty shall survive the termination of this Agreement.

P. **Completion Certificate.** The Borrower shall submit to CFC within 30 days after the completion of the Project, a Completion Certificate signed by an Authorized Officer of the Borrower.

Q. **Termination Certificate.** If the Borrower determines that the Project will not be completed as described in Section 5.01.P above, then the Borrower shall submit to CFC a Termination Certificate, within 30 days of a determination that:

(i) no further acquisition, construction or installation will occur with respect to the Project; and

(ii) the Borrower does not intend to make any further Advances.

R. **Other Information.** The Borrower shall furnish such other information as CFC may reasonably require relating to the Project.

**Section 5.02 Negative Covenants.** The Borrower covenants and agrees with CFC that until payment in full of the Note and performance of all obligations of the Borrower hereunder, the Borrower will not, directly or indirectly, without CFC's prior written consent:

A. **Limitations on Mergers.** Consolidate with, merge, or sell all or substantially all of its business or assets, or enter into an agreement for such consolidation, merger or sale, to another entity or person unless such action is either approved, as is evidenced by the prior written consent of CFC, or the purchaser, successor or resulting corporation is or becomes a member in good standing of CFC and assumes the due and punctual payment of the Note and the due and punctual performance of the covenants contained in the Mortgage and this Agreement.

B. **Limitations on Sale, Lease or Transfer of Capital Assets; Application of Proceeds.** Sell, lease or transfer (or enter into an agreement to sell, lease or transfer) any capital asset, except in accordance with this Section 5.02.B. If no Event of Default (and no event which with notice or lapse of time and notice would become an Event of Default) shall have occurred and be continuing, the Borrower may, without the prior written consent of CFC, sell, lease or transfer (or enter into an agreement to sell, lease or transfer) any capital asset in exchange for fair market value consideration paid to the Borrower if the value of such capital asset is less than five percent (5%) of Total Utility Plant and the aggregate value of capital assets sold, leased or transferred in any 12-month period is less than ten percent (10%) of Total Utility Plant.

**C. Limitation on Dividends, Patronage Refunds and Other Distributions.**

(i) Make Distributions in any calendar year if, after giving effect to the Distribution, the total Equity of the Borrower will be less than twenty percent (20%) of its Total Assets.

(ii) If, after giving effect to the Distribution, the total Equity of the Borrower will be less than twenty percent (20%) of its Total Assets, then the Borrower may nevertheless make Distributions of up to thirty percent (30%) of its total margins for the preceding calendar year.

(iii) Notwithstanding anything to the contrary in subparagraphs (i) and (ii) above, the Borrower shall not make any Distribution without the prior written consent of CFC if an Event of Default under this Agreement has occurred and is continuing.

**D. Limitations on Loans, Investments and Other Obligations.**

(i) (a) Purchase, or make any commitment to purchase, any stock, bonds, notes, debentures, or other securities or obligations of or beneficial interests in, (b) make, or enter into a commitment to make, any other investment, monetary or otherwise, in, (c) make, or enter into a commitment to make, any loan to, or (d) guarantee, assume, or otherwise become liable for, or enter into a commitment to guarantee, assume, or otherwise become liable for, any obligation of any Person if, after giving effect to such purchase, investment, loan, guarantee or commitment, the aggregate amount thereof would exceed the greater of fifteen percent (15%) of Total Utility Plant or fifty percent (50%) of Equity.

(ii) The following shall not be included in the limitation of purchases, investments, loans and guarantees in (i) above: (a) bonds, notes, debentures, stock, or other securities or obligations issued by or guaranteed by the United States or any agency or instrumentality thereof; (b) bonds, notes, debentures, stock, commercial paper, subordinated capital certificates, or any other security or obligation issued by CFC or by institutions whose senior unsecured debt obligations are rated by at least two nationally recognized rating organizations in either of their two highest categories; (c) investments incidental to loans made by CFC; (d) any deposit that is fully insured by the United States; (e) loans and grants made by any Governmental Authority to the Borrower under any rural economic development program, but only to the extent that such loans and grants are non-recourse to the Borrower; and (f) unretired patronage capital allocated to the Borrower by CFC, a cooperative from which the Borrower purchases electric power, or a statewide cooperative association of which Borrower is a member.

(iii) In no event may the Borrower take any action pursuant to subsection (i) if an Event of Default under this Agreement has occurred and is continuing,

**E. Organizational Change.** Change its type of organization or other legal structure, except as permitted by Section 5.02.A. hereof, in which case the Borrower shall provide at least 30 days prior written notice to CFC together with all documentation reflecting such change as CFC may reasonably require.

**F. Notice of Change in Borrower Information.** Change its (i) state of incorporation, (ii) legal name, (iii) mailing address, or (iv) organizational identification number, if it has one, unless the Borrower provides written notice to CFC at least thirty (30) days prior to the effective date of any such change together with all documentation reflecting any such change as CFC may reasonably require.

## ARTICLE VI

## EVENTS OF DEFAULT

**Section 6.01** The following shall be "Events of Default" under this Agreement:

**A. Representations and Warranties.** Any representation or warranty made by the Borrower herein, or in any of the other Loan Documents, or in any certificate or financial statement furnished to CFC hereunder or under any of the other Loan Documents shall prove to be false or misleading in any material respect.

**B. Payment.** The Borrower shall fail to pay (whether upon stated maturity, by acceleration, or otherwise) any principal, interest, premium (if any) or other amount payable under the Note and the Loan Documents within five (5) Business Days after the due date thereof.

**C. Other Covenants.**

**(i) No Grace Period.** Failure of the Borrower to observe or perform any covenant or agreement contained in the Project Agreement or in Sections 5.01.A, 5.01.B, 5.01.D, 5.01.E, 5.01.G, 5.01.I, 5.01.N, 5.01.O and 5.02 of this Agreement.

**(ii) Thirty Day Grace Period.** Failure of the Borrower to observe or perform any other covenant or agreement contained in this Agreement or any of the other Loan Documents, which shall remain unremedied for thirty (30) calendar days after written notice thereof shall have been given to the Borrower by CFC.

**D. Legal Existence, Permits and Licenses.** The Borrower shall forfeit or otherwise be deprived of (i) its authority to conduct business in the jurisdiction in which it is organized or in any other jurisdiction where such authority is required in order for the Borrower to conduct its business in such jurisdiction or (ii) permits, easements, consents or licenses required to carry on any material portion of its business.

**E. Other CFC Obligations.** The Borrower shall be in breach or default of any Obligation, which breach or default continues uncured beyond the expiration of any applicable grace period.

**F. Other Obligations.** The Borrower shall (i) fail to make any payment of any principal, premium or any other amount due or interest on any indebtedness with parties other than CFC which shall remain unpaid beyond the expiration of any applicable grace period, or (ii) be in breach or default with respect to any other term of any evidence of any other indebtedness with parties other than CFC or of any loan agreement, mortgage or other agreement relating thereto which breach or default continues uncured beyond the expiration of any applicable grace period, if the effect of such failure, default or breach is to cause the holder or holders of that indebtedness to cause that indebtedness to become or be declared due prior to its stated maturity (upon the giving or receiving of notice, lapse of time, both or otherwise).

**G. Involuntary Bankruptcy.** An involuntary case or other proceeding shall be commenced against the Borrower seeking liquidation, reorganization or other relief with respect to it or its debts under bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property and such involuntary case or other proceeding shall continue without dismissal or

stay for a period of sixty (60) days; or an order for relief shall be entered against the Borrower under the federal bankruptcy laws or applicable state law as now or hereafter in effect.

H. **Insolvency.** The Borrower shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall admit in writing its inability to, or be generally unable to, pay its debts as they become due, or shall take any action to authorize any of the foregoing.

I. **Dissolution or Liquidation.** Other than as provided in subsection H. above, the dissolution or liquidation of the Borrower, or failure by the Borrower promptly to forestall or remove any execution, garnishment or attachment of such consequence as will impair its ability to continue its business or fulfill its obligations and such execution, garnishment or attachment shall not be vacated within sixty (60) days. The term "dissolution or liquidation of the Borrower", as used in this subsection, shall not be construed to include the cessation of the corporate existence of the Borrower resulting either from a merger or consolidation of the Borrower into or with another corporation following a transfer of all or substantially all its assets as an entirety, under the conditions set forth in Section 5.02.A.

J. **Material Adverse Change.** Any material adverse change in the business or condition, financial or otherwise, of the Borrower.

K. **Monetary Judgment.** The Borrower shall suffer any money judgment not covered by insurance, writ or warrant of attachment or similar process involving an amount in excess of $100,000 and shall not discharge, vacate, bond or stay the same within a period of sixty (60) days.

L. **Nonmonetary Judgment.** One or more nonmonetary judgments or orders (including, without limitation, injunctions, writs or warrants of attachment, garnishment, execution, distraint, replevin or similar process) shall be rendered against the Borrower that, either individually or in the aggregate, could reasonably be expected to have a material adverse effect upon the business, operations, prospects, assets, liabilities or financial condition of the Borrower.

## ARTICLE VII

## REMEDIES

**Section 7.01** If any of the Events of Default listed in Section 6 hereof shall occur after the date of this Agreement and shall not have been remedied within the applicable grace periods specified therein, then CFC may:

(i) Cease making Advances hereunder;

(ii) Declare all unpaid principal outstanding on the Note, all accrued and unpaid interest thereon, and all other Obligations to be immediately due and payable and the same shall thereupon become immediately due and payable without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived;

(iii) Exercise rights of setoff or recoupment and apply any and all amounts held, or hereby held, by CFC or owed to the Borrower or for the credit or account of the Borrower against any and all of the Obligations of the Borrower now or hereafter existing hereunder or under the Note, including, but not limited to, patronage capital allocations and retirements, money due to Borrower from equity certificates purchased from CFC, and any membership or other fees that would otherwise be returned to Borrower but excluding any LCTCs purchased by the Borrower pursuant to this Agreement. The rights of CFC under this section are in addition to any other rights and remedies (including other rights of setoff or recoupment) which CFC may have. The Borrower waives all rights of setoff, deduction, recoupment or counterclaim;

(iv) Pursue all rights and remedies available to CFC that are contemplated by the Mortgage and the other Loan Documents in the manner, upon the conditions, and with the effect provided in the Mortgage and the other Loan Documents, including, but not limited to, a suit for specific performance, injunctive relief or damages;

(v) Pursue any other rights and remedies available to CFC at law or in equity.

Nothing herein shall limit the right of CFC to pursue all rights and remedies available to a creditor following the occurrence of an Event of Default. Each right, power and remedy of CFC shall be cumulative and concurrent, and recourse to one or more rights or remedies shall not constitute a waiver of any other right, power or remedy.

## ARTICLE VIII

## MISCELLANEOUS

**Section 8.01 Notices.** All notices, requests and other communications provided for herein including, without limitation, any modifications of, or waivers, requests or consents under, this Agreement shall be given or made in writing (including, without limitation, by telecopy) and delivered to the intended recipient at the "Address for Notices" specified below; or, as to any party, at such other address as shall be designated by such party in a notice to each other party. All such communications shall be deemed to have been duly given (i) when personally delivered including, without limitation, by overnight mail or courier service, (ii) in the case of notice by United States mail, certified or registered, postage prepaid, return receipt requested, upon receipt thereof, or (iii) in the case of notice by telecopy, upon transmission thereof, provided such transmission is promptly confirmed by either of the methods set forth in clauses (i) or (ii) above in each case given or addressed as provided for herein. The Address for Notices of each of the respective parties is as follows:

National Rural Utilities Cooperative Finance Corporation
2201 Cooperative Way
Herndon, Virginia 20171-3025
Attention: Senior Vice President – Member Services
Fax # 703-709-6776

The Borrower:

The address set forth in
Schedule 1 hereto

**Section 8.02 Expenses.** Borrower shall reimburse CFC for any reasonable costs and out-of-pocket expenses paid or incurred by CFC (including, without limitation, reasonable fees and expenses of outside attorneys, paralegals and consultants) for all actions CFC takes, (a) to enforce the payment of any Obligation, to effect collection of any Mortgaged Property, or in preparation for such enforcement or collection, (b) to institute, maintain, preserve, enforce and foreclose on CFC's security interest in or Lien on any of the Mortgaged Property, whether through judicial proceedings or otherwise, (c) to restructure any of the Obligations, (d) to review, approve or grant any consents or waivers hereunder, (e) to prepare, negotiate, execute, deliver, review, amend or modify this Agreement, (f) to prepare, negotiate, execute, deliver, review, amend or modify any other agreements, documents and instruments deemed necessary or appropriate by CFC in connection with any of the foregoing, and (g) to obtain any opinions required to be furnished upon a Determination of Tax Credit Ineligibility and an extraordinary prepayment as set forth in Section 3.04 hereof or a rescission of excess money as set forth in Section 3.05 or a cancellation of excess moneys as set forth in Section 3.06.

The amount of all such expenses identified in this Section 8.02 shall be secured by the Mortgage and shall be payable upon demand, and if not paid, shall accrue interest at the Default Rate.

**Section 8.03 Late Payments.** If payment of any amount due hereunder is not received at CFC's office in Herndon, Virginia, or such other location as CFC may designate to the Borrower within five (5) Business Days after the due date thereof, the Borrower will pay to CFC, in addition to all other amounts due under the terms of the Loan Documents, any late payment charge as may be fixed by CFC from time to time pursuant to its policies of general application as in effect from time to time.

**Section 8.04. Non-Business Day Payments.** If any payment to be made by the Borrower hereunder shall become due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall be included in computing any interest in respect of such payment.

**Section 8.05 Filing Fees.** To the extent permitted by law, the Borrower agrees to pay all expenses of CFC (including the reasonable fees and expenses of its counsel) in connection with the filing, registration, recordation or perfection of the Mortgage and any other security instruments as may be required by CFC in connection with this Agreement, including, without limitation, all documentary stamps, recordation and transfer taxes and other costs and taxes incident to execution, filing, registration or recordation of any document or instrument in connection herewith. The Borrower agrees to save harmless and indemnify CFC from and against any liability resulting from the failure to pay any required documentary stamps, recordation and transfer taxes, recording costs, or any other expenses incurred by CFC in connection with this Agreement. The provisions of this subsection shall survive the execution and delivery of this Agreement and the payment of all other amounts due under the Loan Documents.

**Section 8.06 Waiver; Modification.** No failure on the part of CFC to exercise, and no delay in exercising, any right or power hereunder or under the other Loan Documents shall operate as a waiver thereof, nor shall any single or partial exercise by CFC of any right hereunder, or any abandonment or discontinuance of steps to enforce such right or power, preclude any other or further exercise thereof or the exercise of any other right or power. No modification or waiver of any provision of this Agreement, the Note or the other Loan Documents and no consent to any departure by the Borrower therefrom shall in any event be effective unless the same shall be in writing by the

party granting such modification, waiver or consent, and then such modification, waiver or consent shall be effective only in the specific instance and for the purpose for which given.

**SECTION 8.07 GOVERNING LAW; SUBMISSION TO JURISDICTION; WAIVER OF JURY TRIAL.**

(A) THE PERFORMANCE AND CONSTRUCTION OF THIS AGREEMENT AND THE NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE COMMONWEALTH OF VIRGINIA.

(B) THE BORROWER HEREBY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF THE UNITED STATES COURTS LOCATED IN VIRGINIA AND OF ANY STATE COURT SO LOCATED FOR PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. THE BORROWER IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTIONS THAT IT MAY NOW OR HEREAFTER HAVE TO THE ESTABLISHING OF THE VENUE OF ANY SUCH PROCEEDINGS BROUGHT IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

(C) THE BORROWER AND CFC EACH HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

**SECTION 8.08 INDEMNIFICATION.** THE BORROWER HEREBY INDEMNIFIES AND AGREES TO HOLD HARMLESS, AND DEFEND CFC AND ITS MEMBERS, DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, ATTORNEYS AND REPRESENTATIVES (EACH AN "INDEMNITEE") FOR, FROM, AND AGAINST ALL CLAIMS, DAMAGES, LOSSES, LIABILITIES, COSTS, AND EXPENSES (INCLUDING, WITHOUT LIMITATION, COSTS AND EXPENSES OF LITIGATION AND REASONABLE ATTORNEYS' FEES) ARISING FROM ANY CLAIM OR DEMAND IN RESPECT OF THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS, THE MORTGAGED PROPERTY, OR THE TRANSACTIONS DESCRIBED IN THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS AND ARISING AT ANY TIME, WHETHER BEFORE OR AFTER PAYMENT AND PERFORMANCE OF ALL OBLIGATIONS UNDER THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS IN FULL, EXCEPTING ANY SUCH MATTERS ARISING SOLELY FROM THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF CFC OR ANY INDEMNITEE INCLUDING WITHOUT LIMITATION ANY DETERMINATION MADE OR OTHER ACTION TAKEN BY CFC PURSUANT TO SECTIONS 3.04, 3.05 and 3.06 OF THIS AGREEMENT. NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN SECTION 8.10 HEREOF, THE OBLIGATIONS IMPOSED UPON THE BORROWER BY THIS SECTION SHALL SURVIVE THE REPAYMENT OF THE NOTE, THE TERMINATION OF THIS AGREEMENT AND THE TERMINATION OR RELEASE OF THE LIEN OF THE MORTGAGE.

**Section 8.09 Complete Agreement.** This Agreement, together with the schedules to this Agreement, the Note and the other Loan Documents, and the other agreements and matters referred to herein or by their terms referring hereto, is intended by the parties as a final expression of their agreement and is intended as a complete statement of the terms and conditions of their agreement. In the event of any conflict in the terms and provisions of this Agreement and any other Loan Documents, the terms and provisions of this Agreement shall control.

**Section 8.10 Survival; Successors and Assigns.** All covenants, agreements, representations and warranties of the Borrower which are contained in this Agreement shall survive the execution and delivery to CFC of the Loan Documents and the making of the Loan hereunder and shall continue in full force and effect until all of the obligations under the Loan Documents have been paid in full. All covenants, agreements, representations and warranties of the Borrower which are contained in this Agreement shall inure to the benefit of the successors and assigns of CFC. The Borrower shall not have the right to assign its rights or obligations under this Agreement without the prior written consent of CFC, except as provided in Section 5.02.A hereof.

**Section 8.11 Use of Terms.** The use of the singular herein shall also refer to the plural, and vice versa.

**Section 8.12 Headings.** The headings and sub-headings contained in this Agreement are intended to be used for convenience only and do not constitute part of this Agreement.

**Section 8.13 Severability.** If any term, provision or condition, or any part thereof, of this Agreement, the Note or the other Loan Documents shall for any reason be found or held invalid or unenforceable by any governmental agency or court of competent jurisdiction, such invalidity or unenforceability shall not affect the remainder of such term, provision or condition nor any other term, provision or condition, and this Agreement, the Note and the other Loan Documents shall survive and be construed as if such invalid or unenforceable term, provision or condition had not been contained therein.

**Section 8.14 Binding Effect.** This Agreement shall become effective when it shall have been executed by both the Borrower and CFC and thereafter shall be binding upon and inure to the benefit of the Borrower and CFC and their respective successors and assigns.

**Section 8.15 Counterparts.** This Agreement may be executed in one or more counterparts, each of which will be deemed an original and all of which together will constitute one and the same document. Signature pages may be detached from the counterparts and attached to a single copy of this Agreement to physically form one document.

**Section 8.16 Disclosure.** This Agreement and any other Loan Document may be shared by CFC with such Persons as shall be required in order to facilitate the issuance of the CREBs, including, but not limited to, its attorneys, underwriters and investors in the CREBs.

**Section 8.17 Schedule 1.** Schedule 1 attached hereto is an integral part of this Agreement.

**IN WITNESS WHEREOF,** the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

SULPHUR SPRINGS VALLEY
ELECTRIC COOPERATIVE, INC.

(SEAL)

By: Gene Manning

Title: President

Attest: _____
~~Secretary~~
CREDEN W. HUBER
CHIEF EXECUTIVE OFFICER

NATIONAL RURAL UTILITIES
COOPERATIVE FINANCE CORPORATION

(SEAL)

By: Marianne Dusold
Assistant Secretary-Treasurer

MARIANNE L DUSOLD

Attest: _____
Assistant Secretary-Treasurer
CRAIG COLANTONI

## SCHEDULE 1

1. The purpose of this loan is to finance (i) the reimbursement of the cost of the Project of the Borrower, including any reasonable costs and expenses incurred by the Borrower in connection with financing the Project, as described and permitted by the terms of the Project Agreement and (ii) a portion of CFC's costs in issuing the CREBs as set forth in Section 3.02.A.

2. The Project of the Borrower being financed by the Loan (funded by proceeds of the CREBs) constitutes the following clean renewable energy facilities:

   Palominas Elementary School District Photovoltaic Solar Automobile Parking Shade Structure

   This project will place photovoltaic modules costing $280,000 each, that will produce 23 kW of electricity in the shade structures in the two Palominas Elementary School District schools. The PV structure will provide electricity to the respective school with excess power flowing to the Borrower's system.

3. Subject to the terms of this Agreement, CFC has agreed to loan to the Borrower from proceeds of the CREBs, an amount not to exceed $560,000.00 (the "CFC Commitment").

4. Draw Period shall mean the period beginning on the Closing Date and ending on the date that is five (5) years thereafter.

5. The Borrower shall not purchase the LCTCs or any portion thereof with funds from the Loan. The Borrower shall use its own funds or funds borrowed under another credit facility to purchase such LCTCs, subject to the CFC policies regarding LCTCs set forth in the following paragraph.

   **CFC Policies Regarding LCTCs:** (i) Any solvent Member of CFC with an outstanding LCTC purchased in connection with a loan from the proceeds of Securities may borrow the outstanding amount of the LCTC from CFC without a further credit review, for a term equal to or shorter than the maturity of the LCTC at a rate equal to the comparable rate charged by CFC for similarly classified loans; and (ii) any Member of CFC with an outstanding LCTC purchased in connection with a loan from the proceeds of Securities may sell such LCTC to another Member of CFC for consideration.

6. The Mortgage shall mean the Restated Mortgage and Security Agreement, dated as of December 6, 2007, between the Borrower and CFC, as it may have been supplemented, amended, consolidated, or restated from time to time.

7. The Note executed pursuant hereto is as follows:

| LOAN NUMBER | AMOUNT |
|---|---|
| AZ014-A-9042-CB001 | $560,000.00 |

8. The Subsidiaries of the Borrower referred to in Section 2.01.B. are: None

9. The date of the Borrower's balance sheet referred to in Section 2.01.H is June 30, 2006.

10. The Borrower's exact legal name is: Sulphur Springs Valley Electric Cooperative, Inc.

11. The Borrower's organizational type is: Corporation

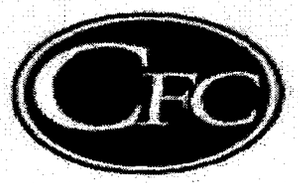
12. The Borrower is organized under the laws of the state of: Arizona

13. The Borrower's organizational identification number is: 0038220-2

14. The place of business or, if more than one, the chief executive office of the Borrower referred to in Section 2.01.I is 311 East Wilcox, Sierra Vista, Arizona 85635.

15. The Governmental Authority referred to in Section 2.01.J. is: Arizona Corporation Commission

16. The address for notices to the Borrower referred to in Section 8.01 is 311 East Wilcox, Sierra Vista, Arizona 85635, Attention: General Manager, Fax: (520) 384-5223.



## Exhibit A - Funds Requisition Statement

Borrower Name & ID: Sulphur Springs Valley Electric Cooperative, Inc. (AZ014)
Loan Number: AZ014-A-9042-CB001
Loan Agreement and Project Agreement with CFC dated:
CREBs Series: 2008A
CFC CREBs Application #: 12
Name of Project: Palominas Elementary School District Photovoltaic Solar Automobile Parking Shade Structure
Funds Requisition Statement No.:

**Amount Requested:**
**Date Of Advance**:

**Disposition of Funds (wiring instructions):**

### Certification

Acting on behalf of the Borrower, I hereby certify that as of the date below: (1) I am duly authorized to make this certification and to request funds on the terms specified herein; (2) the Borrower has met all of the conditions contained in the Loan Agreement and the Project Agreement listed above governing the terms of this Advance that the Borrower is required to meet prior to an Advance of funds; (3) all of the representations and warranties contained in said Loan Agreement and Project Agreement are true and will continue to be true upon use of the funds as hereby requested; (4) no Event of Default, under the Loan Agreement or the Borrower's Mortgage, has occurred and is continuing; (5) I know of no other event that has occurred which, with the lapse of time and/or notification to CFC of such event, or after giving effect to this Advance, would become an Event of Default under the Loan Agreement or the Borrower's Mortgage; (6) the funds requested herein will be used only as a reimbursement for the purposes specified in the Loan Agreement and the Project Agreement; (7) the costs to be reimbursed by the funds requested herein are capital expenditures and have not previously been reimbursed under a previous Funds Requisition Statement; (8) the Borrower has secured sufficient funds to complete the Project; (9) any necessary permits and approvals required for the Project at this point have been obtained; (10) the Borrower is maintaining a file containing true and correct copies of invoices or bills of sale covering all items for which payment is sought by this request; (11) such costs have been incurred and paid by the Borrower in connection with the Project; (12) the Borrower is not using the funds requested hereby to make any payments of principal or interest due under the Loan Agreement; (13) no expenditure which is being reimbursed by the funds requested hereby was paid more than eighteen months after the later of (i) the date the expenditure is paid or (ii) the date the Project is placed in service, but in no event later than three years after the date the original expenditure was paid; and (14) set forth below is a table listing all of the major components of the Project, how much is being requested in this Funds Requisition Statement as an advance for certain components, how much has been

advanced on each component to date, the percentage of each component that is completed to date, and the purpose of the advance(s) being requested by this Funds Requisition Statement.

I hereby authorize CFC, for and on behalf of the Borrower, to forward this Funds Requisition Statement to the Trustee for disbursement of the Advance from the Project Account relating to the above Loan to the Borrower on the following terms, and hereby acknowledge and agree that such terms shall be binding upon Borrower under the provisions of the Loan Agreement governing this Advance:

| Project Component | Amount Expended to Date by Borrower | Amount Advanced to Date | Advance Amount Requested Herein | Percentage Complete |
|---|---|---|---|---|
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| Total | | | | |

Certified By:

_____ _____ _____

Signature Date Title of Authorized Officer

**PLEASE FAX TO 703-709-6776 ATTN: _____, Associate Vice President**

APPROVED:

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION

By: _____
Title: _____
Date: _____

**EXHIBIT B**

**BRING-DOWN CERTIFICATE OF BORROWER**

The undersigned, _____, duly qualified officers of SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (the *"Borrower"*), an Arizona corporation, hereby certify as follows:

1. The following documents have been duly executed, and delivered or accepted in the name and on behalf of the Borrower by the authorized officer or officers of the Borrower pursuant to, and in full compliance with, authority granted by the Board of Trustees/Directors of the Borrower:

| DOCUMENT | DATE | OTHER PARTY OR PARTIES |
|---|---|---|
| Loan Agreement (the *"Agreement"*) | _____, 200_ | National Rural Utilities Cooperative Finance Corporation (*"CFC"*) |
| Project Agreement (the *"Project Agreement"*) | _____, 200_ | |
| Note (the *"Note"*) | _____, 200_ | |

2. Each of the representations and warranties of the Borrower in the Loan Agreement and the Project Agreement are true and correct on and as of the date hereof (the *"Closing Date"*), and the Borrower has complied with all agreements and satisfied all conditions on its part to be observed or satisfied thereunder at or prior to the Closing Date.

IN WITNESS WHEREOF, the undersigned have hereunto set their signatures this ____ day of _____, 2008.

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

By _____
Title:

By _____
Title:

**EXHIBIT C**

**COMPLETION CERTIFICATE**
**OF**
**BORROWER**

Pursuant to the Loan Agreement dated as of _____ by and between SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (the "Borrower") and National Rural Utilities Cooperative Finance Corporation ("CFC") relating to CFC Loan Number AZ014-A-9042-CB001 (the "Loan Agreement"), the undersigned, _____, duly qualified officer of the Borrower, hereby certifies as follows:

(i) On [date of completion] all portions of the Project (as defined in the Loan Agreement) have been fully completed substantially in accordance with any plans and specifications therefore, as then amended; and

(ii) Amount advanced on the Loan (as defined in the Loan Agreement) and the use of the property financed, refinanced or reimbursed therefrom will not cause any of the representations or certifications contained in the Project Agreement (as defined in the Loan Agreement) to be untrue or result in a violation of any covenant in the Project Agreement.

IN WITNESS WHEREOF, the undersigned have hereunto set his/her signature this ____ day of _____, 20____.

SULPHUR SPRINGS VALLEY ELECTRIC
COOPERATIVE, INC.

By _____
Title:

**EXHIBIT D**

**TERMINATION CERTIFICATE**
**OF**
**BORROWER**

Pursuant to the Loan Agreement dated as of _____ by and between SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (the "Borrower") and National Rural Utilities Cooperative Finance Corporation ("CFC") relating to CFC Loan Number AZ014-A-9042-CB001 (the "Loan Agreement"), the undersigned, _____, duly qualified officer of the Borrower, hereby certifies as follows:

(i) all portions of the Project (as defined in the Loan Agreement) have not been fully completed substantially in accordance with any plans and specifications therefor, as then amended;

(ii) no further acquisition, construction or installation will occur with respect to the Project (as defined in the Loan Agreement); and

(iii) the Borrower does not intend to request any further Advances (as defined in the Loan Agreement) on the Loan (as defined in the Loan Agreement).

IN WITNESS WHEREOF, the undersigned have hereunto set his/her signature this ____ day of _____, 20____.

SULPHUR SPRINGS VALLEY ELECTRIC
COOPERATIVE, INC.

By _____
Title:

**SECURED PROMISSORY NOTE**

$840,000.00 dated as of 12/21/07

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC., an Arizona corporation (the "Borrower"), for value received, hereby promises to pay, without setoff, deduction, recoupment or counterclaim, to the order of NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION (the "Payee"), at its office in Herndon, Virginia office or such other location at its office in Herndon, Virginia or such other location as the Payee may designate to the Borrower, in lawful money of the United States, the principal sum of EIGHT HUNDRED FORTY THOUSAND AND 00/100 DOLLARS ($840,000.00), or such lesser sum of the aggregate unpaid principal amount of all advances made by the Payee pursuant to that certain Loan Agreement dated as of even date herewith between the Borrower and the Payee, as it may be amended from time to time (herein called the "Loan Agreement"), and to pay interest on all amounts remaining unpaid hereunder from the date of each advance in like money, at said office, at the rate and in amounts and payable on the dates provided in the Loan Agreement together with any other amount payable under the Loan Agreement. If not sooner paid, any balance of the principal amount and interest accrued thereon shall be due and payable on the Maturity Date.

This Note is secured under a Restated Mortgage and Security Agreement, dated of December 6, 2007 between the Borrower and the Payee, as it may have been or shall be supplemented, amended, consolidated or restated from time to time ("Mortgage"). This Note is one of the Notes referred to in, and has been executed and delivered pursuant to, the Loan Agreement.

The principal hereof and interest accrued thereon and any other amount due under the Loan Agreement may be declared to be forthwith due and payable in the manner, upon the conditions, and with the effect provided in the Mortgage or the Loan Agreement.

The Borrower waives demand, presentment for payment, notice of dishonor, protest, notice of protest, and notice of non-payment of this Note.

IN WITNESS WHEREOF the Borrower has caused this Note to be signed in its corporate name and its corporate seal to be hereunto affixed and to be attested by its duly authorized officers, all as of the day and year first above written.

SULPHUR SPRINGS VALLEY
ELECTRIC COOPERATIVE, INC.

(SEAL)

By: Gene Manning

Title: President

Attest: _____
Secretary

CREDEN W. HUBER
CHIEF EXECUTIVE OFFICER

Loan No. AZ014-A-9043-CB001

**PROJECT AGREEMENT**

**OF**

**SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (THE *"BORROWER"*)**

DATED: as of 12/21/07

The undersigned is a duly qualified officer of the Borrower named above and, as such officer, is familiar with (i) the properties, affairs and records of the Borrower, (ii) the issuance of the Securities (as hereinafter defined) and the use of the proceeds thereof as it relates to the Borrower and (iii) the Project, as hereinafter defined.

In connection with the issuance of the Clean Renewable Energy Bonds (Cooperative Renewable Energy Projects) Series 2008A (the *"Securities"*), being issued by the National Rural Utilities Cooperative Finance Corporation (the *"Issuer"*), the undersigned hereby certifies and covenants regarding the use of the proceeds of the Securities advanced to the Borrower, as follows:

1. General.

1.1 This Project Agreement is made pursuant to Section 54 of the Internal Revenue Code of 1986, as amended (the *"Code"*), and any United States Treasury regulations and other guidance thereunder to make the certifications required by Section 54 of the Code and any United Stares Treasury regulations and other guidance thereunder and to establish the reasonable expectations of the Borrower with respect to the amount and use of amounts to be advanced to the Borrower pursuant to the Loan Agreement dated as of even date herewith between the Issuer and the Borrower (the *"Loan Agreement"*). Capitalized terms used herein are defined where they first appear or are defined in *Exhibit A* attached hereto.

1.2 This Project Agreement is based on facts and estimates in existence on the date hereof and the continued veracity of these facts and estimates as of the date that the Securities are issued (the *"Closing"*) will be confirmed by the Borrower on the date of Closing, and on the basis of such facts and estimates, the Borrower expects that the events described herein will occur. To the best of the undersigned's knowledge, information, and belief, the expectations contained in this Project Agreement are reasonable.

1.3 The Borrower is a Qualified Borrower, as defined in *Exhibit A,* and is responsible for the acquiring/constructing/equipping of the Project (defined below). The undersigned has reviewed this Project Agreement, as well as the provisions of Section 54 of the Code and any United States Treasury regulations and other guidance thereunder, with its own legal counsel and understands and is familiar with this Project Agreement and the provisions of Section 54 and any United States Treasury regulations and other guidance thereunder. The Borrower will

comply in all respects with the provisions of Section 54 and any United States Treasury regulations and other guidance thereunder.

1.4 The Borrower agrees to keep and retain or cause to be kept and retained sufficient records to demonstrate compliance with the covenants in this Project Agreement. Such records shall include, but are not limited to, basic records relating to the issuance of the Securities (including this Project Agreement and the inducement resolution as described in Section 3.3 hereof); documentation evidencing the expenditure of amounts advanced to the Borrower pursuant to the Loan Agreement; documentation evidencing the use of property financed with amounts advanced to the Borrower pursuant to the Loan Agreement; and documentation evidencing all sources of payment or security maintained by the Borrower for amounts advanced to the Borrower pursuant to the Loan Agreement. Such records shall be kept until the date three (3) years after the CREB Maturity Date.

1.5 Neither the Borrower nor any Related Person (as defined in Exhibit A) to the Borrower will purchase any Securities.

2. Qualified Project.

2.1 The Loan Agreement requires the amounts advanced thereunder to be used for facilities to be owned by the Borrower, described in more detail in Section 2.2 hereof and in *Exhibit B* attached hereto as the "Updated Description of the Project" (the *"Project"*). The Project was originally described in an exhibit to the Application for National Clean Renewable Energy Bond Limitation submitted to the Internal Revenue Service by the Issuer in support of the national clean renewable energy bond allocation received by the Issuer, which "Original Description of the Project" is attached hereto as *Exhibit C*.

2.2 The Project is a Solar Energy Facility (the *"Qualifying Facility"*), as defined in *Exhibit A* and property functionally related and subordinate thereto, as further described in *Exhibit B*, attached hereto.

3. Clean Renewable Energy Bonds Qualification.

3.1 At least 95 percent of the proceeds advanced to the Borrower pursuant to the Loan Agreement will be used by the Borrower for capital expenditures with respect to the Project. None of the proceeds of the Loan (as defined in the Loan Agreement) will be paid to the Issuer, the Borrower or any Related Person to the Issuer or the Borrower, except for amounts paid to the Borrower to reimburse the Borrower for actual and direct expenditures relating to the Project paid by the Borrower to persons other than the Issuer, the Borrower or any Related Person to the Issuer or the Borrower.

3.2 The Borrower has incurred or will, within six months of the Closing Date, incur a substantial binding obligation (not subject to contingencies within the control of the Issuer, the Borrower or any Related Person to either of them) to a third party

to expend at least ten percent of the Loan Amount (*i.e.* the total amount to be advanced to the Borrower pursuant to the Loan Agreement). It is expected that the work of acquiring/constructing/equipping the Project and the expenditure of the Loan Amount will proceed with due diligence through July 7, 2008, at which time it is anticipated that the Loan Amount will have been spent in its entirety. The Borrower acknowledges that, to the extent that less than 95 percent of the Loan Amount is expended by a date five years from the date of issuance of the Securities, the Borrower will be required to prepay its Loan in an amount, and the Issuer will redeem Securities at the end of such five-year period in an amount, necessary to maintain the tax credit with respect to the Securities, unless otherwise permitted by Section 6.5 hereof.

It is expected that all amounts advanced to the Borrower under the Loan Agreement will be spent to pay costs of the Project in accordance with the estimated periodic drawdown schedule contained in *Exhibit D,* attached hereto. The assumptions set forth in this Section 3.2 and on *Exhibit D,* attached hereto, represent the Borrower's best estimate, as of this date, of the periodic drawdown schedule of the Loan Amount.

3.3 The Borrower may use amounts advanced to the Borrower under the Loan Agreement to reimburse itself for expenditures paid prior to the date of issuance of the Securities. The Borrower shall reimburse itself for expenditures paid prior to the date of issuance of the Securities only if such expenditure was paid after the Borrower adopted an inducement resolution, and the expenditure is described in such inducement resolution.

**The Borrower shall use proceeds of the Loan to reimburse itself for expenditures paid prior to the date the Securities were issued only if such reimbursement is made within eighteen months after the later of (i) the date the expenditure is paid or (ii) the date the Project is placed in service, but in no event later than three years after the date the original expenditure was paid.**

Except for any reimbursement allowed under this Section 3.3, no portion of the proceeds advanced to the Borrower will be used to pay for expenditures relating to acquiring existing facilities (as contrasted with costs of enhancements, repair or rehabilitation of existing facilities).

3.4 Neither the Project nor any portion thereof has been, is expected to be, or will be sold or otherwise disposed of, in whole or in part, prior to the last maturity date of the Securities.

3.5 The Borrower has entered into the Loan Agreement of even date hereof under which it is committed to borrow $840,000 from the Issuer of the Securities and the Borrower reasonably expects to borrow and expend the full amount of such commitment.

3.6 At least 75% of the Loan Amount is expected to be used for Construction Purposes.

3.7 The Borrower will not use proceeds of the Loan (i) to pre-pay for goods or services to be received over a period of years prior to the date such goods or services are to be received, or (ii) to pay for or otherwise acquire goods or services from an Affiliated Person, as defined in *Exhibit A*.

3.8 The Borrower shall at all times be a Qualified Borrower.

4. Remedial Action.

4.1 The Borrower agrees to operate the Project as a Qualifying Facility.

The Borrower acknowledges that if property financed with proceeds of the Securities advanced to the Borrower is operated in a manner other than as a Qualifying Facility such operation may constitute a "deliberate action" that may require remedial actions to prevent the tax credit being produced by the Securities from being disallowed.

The Borrower shall promptly contact the Issuer as provided in Section 6.3 hereof if it considers operating property financed with proceeds of the Loan other than as a Qualifying Facility.

4.2 The Borrower acknowledges that if property financed with proceeds of the Loan is sold or otherwise disposed of in a manner contrary to the provisions of Section 3.4 hereof, such sale or disposition may constitute a "deliberate action" that may require remedial actions to prevent the tax credit being produced by the Securities from being disallowed. If the Borrower considers the sale or other disposition of property financed with proceeds of the Loan, it shall promptly contact the Issuer, in the manner set forth in Section 6.3 hereof.

5. Funds and Accounts; Investments.

5.1 After the issuance of the Securities, neither the Borrower nor any Related Person to the Borrower has or will have any property, including cash, securities or any other property held as a passive vehicle for the production of income or for investment purposes, that constitutes:

(i) amounts that have a sufficiently direct nexus to the Securities or to the governmental purpose of the Securities to conclude that the amounts would have been used for that governmental purpose if the Securities were not used or to be used for that governmental purpose (the mere availability or preliminary earmarking of such amounts for a governmental purpose, however, does not itself establish such a sufficient nexus);

(ii) amounts in a debt service fund, redemption fund, reserve fund, replacement fund or any similar fund to the extent reasonably expected to be used directly or indirectly to pay principal of or interest on the Securities or any amounts for which there is provided, directly or indirectly, a reasonable assurance that the amount will be available to pay principal of or interest on the Securities or any credit enhancement or liquidity device with respect to the Securities, even if the Issuer, the Borrower or any Related Person to either of them encounter financial difficulties; or

(iii) any amounts held pursuant to any agreement (such as an agreement to maintain certain levels of types of assets) made for the benefit of the holders of the Securities or any credit enhancement provider, including any liquidity device or negative pledge (*e.g.*, any amount pledged to pay principal of or interest on an issue held under an agreement to maintain the amount at a particular level for the direct or indirect benefit of holders of the Securities or a guarantor of the Securities).

No compensating balance, liquidity account, negative pledge of property held for investment purposes required to be maintained at least at a particular level or similar arrangement exists with respect to, in any way, the Securities or any credit enhancement or liquidity device related to the Securities.

5.2 During the acquiring/constructing/equipping of the Project, the Borrower will only draw down amounts from the Issuer for capital expenditures already paid by the Borrower.

5.3 Neither the Borrower nor any Related Person to the Borrower will enter into any hedge (*e.g.*, an interest rate swap, interest rate cap, futures contract, forward contract or an option) with respect to the Loan or the Securities.

5.4 All property subject to the Mortgage is and will be used by the Borrower in the conduct of its trade or business. The Borrower reasonably expects to repay the Loan from current operating revenues. The Mortgage does not require that cash, securities, obligations, annuity contracts or other property held principally as a passive vehicle for the production of income be maintained, individually or collectively, at any particular level.

6. Miscellaneous.

6.1 This Project Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia.

6.2 Prior to the date 15 days before the Securities were sold, neither the Borrower nor any Related Person to the Borrower has sold or delivered any obligations that are reasonably expected to be paid out of substantially the same source of funds as the Securities. Neither the Borrower nor any Related Person to the Borrower will sell

or deliver within 15 days after the date hereof any obligations that are reasonably expected to be paid out of substantially the same source of funds as the Securities.

6.3 All notices provided for herein shall be given or made in writing (including, without limitation, by telecopy) and delivered to the Issuer at the "Address for Notices" specified below. All such communications shall be deemed to have been duly given (i) when personally delivered including, without limitation, by overnight mail or courier service, (ii) in the case of notice by United States mail, certified or registered, postage prepaid, return receipt requested, upon receipt thereof, or (iii) in the case of notice by telecopy, upon transmission thereof, provided such transmission is promptly confirmed by either of the methods set forth in clauses (i) or (ii) above in each case given or addressed as provided for herein. The Address for Notices of the Issuer is as follows:

National Rural Utilities Cooperative Finance Corporation
2201 Cooperative Way
Herndon, Virginia 20171-3025
Attention: Senior Vice President – Member Services
Fax #703-709-6776

6.4 The Borrower represents that it has not been contacted by the Internal Revenue Service or any issuer of bonds, the proceeds of which were loaned to the Borrower regarding any examination of any tax exempt bonds issued for the benefit of the Borrower. To the best of the knowledge of the Borrower, no such obligations of the Borrower are currently under examination by the Internal Revenue Service.

6.5 Any restriction or covenant contained herein need not be observed or may be changed if such nonobservance or change will not result in the loss of any tax credit under Section 54 of the Code for the purpose of federal income taxation to which the Securities is otherwise entitled and the Borrower receives an opinion of Bond Counsel to such effect and the Issuer agrees to such nonobservance or change.

6.6 If any clause, provision or section of this Project Agreement is ruled invalid by any court of competent jurisdiction, the invalidity of such clause, provision or section shall not affect any of the remaining clauses, sections or provisions hereof.

6.7 The terms, provisions, covenants and conditions of this Project Agreement shall bind and inure to the benefit of the respective successors and assigns of the Issuer and the Borrower.

6.8 This Project Agreement shall terminate on the date three (3) years after the CREB Maturity Date.

The undersigned acknowledge that this Project Agreement is given as a basis for an opinion of the law firm of Chapman and Cutler LLP, Chicago, Illinois, and such firm is hereby authorized to rely on this Project Agreement.

DATED as of the day and year first above written.

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

By Gene Mauritz

Title President

## EXHIBIT A

## DEFINITIONS

*"Affiliated Person"* means any Person that (a) at any time during the six months prior to the Closing Date, (i) has more than five percent of the voting power of the governing body of the Issuer or the Borrower in the aggregate vested in its directors, officers, owners, and employees or (ii) has more than five percent of the voting power of its governing body in the aggregate vested in directors, officers, board members, owners, members or employees of the Issuer or the Borrower or (b) during the one-year period beginning six months prior to the Closing Date, (i) the composition of the governing body of which is modified or established to reflect (directly or indirectly) representation of the interests of the Issuer or the Borrower (or for which an agreement, understanding, or arrangement relating to such a modification or establishment during that one-year period) or (ii) the composition of the governing body of the Issuer or the Borrower is modified or established to reflect (directly or indirectly) representation of the interests of such Person (or for which an agreement, understanding, or arrangement relating to such a modification or establishment during that one-year period).

*"Bond Counsel"* means Chapman and Cutler LLP or any other nationally recognized firm of attorneys experienced in the field of municipal obligations whose opinions are generally accepted by purchasers of municipal obligations.

*"Closing Date"* means the date the Issuer issues the Securities.

*"Code"* means the Internal Revenue Code of 1986, as amended.

*"Constructed Personal Property"* means tangible personal property (or, if acquired pursuant to a single acquisition contract, properties) or Specially Developed Computer Software if (i) a substantial portion of the property or properties is completed more than six (6) months after the earlier of the date construction or rehabilitation commenced and the date the Borrower entered into an acquisition contract; (ii) based on the reasonable expectations of the Borrower, if any, or representations of the person constructing the property, with the exercise of due diligence, completion of construction or rehabilitation (and delivery to the issuer) could not have occurred within that six-month period; and (iii) if the Borrower itself builds or rehabilitates the property, not more than 75 percent of the capitalizable cost is attributable to property acquired by the Borrower (*e.g.*, components, raw materials, and other supplies).

*"Construction Purposes"* means capital expenditures that are allocable to the cost of Real Property or Constructed Personal Property. Except as provided in the next succeeding sentence, construction expenditures do not include expenditures for acquisitions of interests in land or other existing real property. Expenditures are not for the acquisition of an interest in existing real property other than land if the contract between the seller and the Borrower requires the seller to build or install the property (*e.g.*, a *turnkey contract*), but only to the extent that the property has not been built or installed at the time the parties enter into the contract.

*"Control"* means the possession, directly or indirectly through others, of either of the following discretionary and non-ministerial rights or powers over another entity (i) to approve and to remove without cause a controlling portion of the governing body of a Controlled Entity, or (ii) to require the use of funds or assets of a Controlled Entity for any purpose.

*"Controlled Entity"* means any entity or one of a group of entities that is subject to Control by a Controlling Entity or group of Controlling Entities.

*"Controlled Group"* means a group of entities directly or indirectly subject to Control by the same entity or group of entities, including the entity that has the Control of the other entities.

*"Controlling Entity"* means any entity or one of a group of entities directly or indirectly having Control of any entities or group of entities.

*"CREB Maturity Date"* shall have the meaning ascribed to it in the Loan Agreement.

*"Governmental Body"* means any State, territory, possession of the United States, the District of Columbia, Indian tribal government, and any political subdivision thereof.

*"Mortgage"* means the mortgage and security agreement applicable to substantially all of the property of the Borrower.

*"Qualified Borrower"* means (i) a mutual or cooperative electric company described in Sections 501(c)(12) or 1381(a)(2)(C) of the Code, or (ii) a Governmental Body (as defined above).

*"Real Property"* means land and improvements to land, such as buildings or other inherently permanent structures, including interests in real property. For example, real property includes wiring in a building, plumbing systems, central heating or air-conditioning systems, pipes or ducts, elevators, escalators installed in a building, paved parking areas, roads, wharves and docks, bridges, and sewage lines.

*"Related Person"* means any member of the same Controlled Group as the Issuer or the Borrower and any person related to the Issuer or a Borrower within the meaning of Section 144(a)(3) of the Code.

*"Solar Energy Facility"* means a facility using solar energy to produce electricity.

*"Specially Developed Computer Software"* means any programs or routines used to cause a computer to perform a desired task or set of tasks, and the documentation required to describe and maintain those programs, provided that the software is specially developed and is functionally related and subordinate to real property or other constructed personal property.

*"Tangible Personal Property"* means any tangible property other than real property, including interests in tangible personal property. For example, tangible personal property

includes machinery that is not a structural component of a building, subway cars, fire trucks, automobiles, office equipment, testing equipment, and furnishings.

## EXHIBIT B

## UPDATED DESCRIPTION OF THE PROJECT

| | |
|---|---|
| CFC Application | No. 13 Sulphur Springs Valley EC, Inc. |
| Bond Proceeds Needed for Project: | $840,000 |
| Bond Allocation Requested and Received: | $840,000 |

| | |
|---|---|
| Name of Project | Patagonia School District Photovoltaic Solar Automobile Parking Shade Structure |

Project Street Addresses

| Patagonia Elementary School | Patagonia Union High School | Patagonia Middle School |
|---|---|---|
| 100 School Street | Highway 82 | Highway 82 |
| Patagonia, AZ 85624 | Patagonia, AZ 85624 | Patagonia, AZ 85624 |

| | |
|---|---|
| Phone | (520) 394-3000 |
| Fax | (520) 394-3001 |
| County | Santa Cruz County |

| | |
|---|---|
| Individual Name to Contact | Jack Blair |
| Company Name | Sulphur Springs Valley Electric Cooperative, Inc. |
| Street Address | 311 E. Wilcox Drive |
| City, State, Zip | Sierra Vista, AZ 85635 |
| Telephone Number | (520) 515-3470 |
| Fax | (520) 458-3467 |

Updated Detailed Description of the Project:

A cantilevered shade structure at a school on the top of which will be constructed a 23kW solar photovoltaic system to supply power to the school. Excess power will flow on to the SSVEC system.

## EXHIBIT C

## ORIGINAL DESCRIPTION OF THE PROJECT

## [COPY OF EXHIBIT A TO ISSUER APPLICATION TO THE IRS]
## CLEAN RENEWABLE ENERGY BONDS APPLICATION
## EXHIBIT A

## SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

## PATAGONIA SCHOOL DISTRICT PHOTOVOLTAIC SOLAR SHADE STRUCTURE

This project will place photovoltaic modules costing $280,000 each, that will produce 23 kW of electricity in the shade structures in the three Patagonia School District schools. The PV structure will provide electricity to the respective school at no charge. There will also be a cable connection to a computer in the library of each school to show students how the system is working.

This project is the identical project that Navopache Electric Cooperative in Arizona built in 2001 that continues to function with no issues/problems.

SSVEC will operate and maintain the structure. Any excess power produced will flow back to the SSVEC grid.

The PV structures at the schools will significantly reduce their electric bills, which have been disproportionately large due to the per meter monthly surcharges mandated by the Environmental Portfolio Program (EPP), and approved by the Arizona Corporation Commission. All customers pay the EPP fees to SSVEC, which uses them to fund renewable energy projects. Since each school has many meters, they pay the EPP a disproportionately large amount of dollars. The benefit of reduced electric bills will offset their payments into the fund.

The RFP issued by Sulphur Springs Valley Electric Cooperative follows.

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.
A TOUCHSTONE ENERGY® COOPERATIVE

FOR THE ELECTRIC COOPERATIVES IN THE STATE OF ARIZONA

# REQUEST
# A
# PROPOSAL

FOR

## A PHOTOVOLTAIC SYSTEM
## USED FOR
## SHADE STRUCTURES
## FOR
## PUBLIC BUILDINGS

ISSUED: AUGUST 1, 2005

Narrative: The Electric Cooperatives in Arizona (Duncan Valley EC, Graham County EC, Mohave EC, Navopache EC, Sulphur Springs Valley EC, Trico EC and Arizona Electric Power Cooperative, Inc.) request a proposal for a modular designed system to supply a 10 W to 30 kW Photovoltaic (PV) system. System size is relative to the space available for the PV panels on each site. System may consist of multiple free standing modules interconnected to meet the 10 to 30 kW size requirement. Modules to be used as freestanding carports or freestanding covers for walkways to provide shade. These systems are to be used at public buildings to increase the awareness of PV systems and operations and systems will be sized based on the available space. Base pricing for 10, 15, 20, 25, and 30 kW systems are requested (systems may be rounded to the nearest 5 kW increment). The interconnection cost from the PV system to nearest distribution panel will be on a case by case basis due to the variation in sites. This RFP is not all inclusive and contractor may include other specifications or requirements they feel are necessary for a successful venture.

This RFP is released on August 1, 2005 and response must be in a written proposal by October 1, 2005. For questions or clarification of details please contact Albert Gomez (520-515-3473) or David Bane (520-515-3472).

SCOPE OF WORK - THE CONTRACTOR WILL BE RESPONSIBLE FOR THE FOLLOWING:

- Structural design of the supporting PV structures (carport and walkway)
- One line circuit diagrams for approval by local Cooperative's engineering department
- Complete wiring diagrams (to be included in owner manual)
- Isolation transformers as needed to meet the NEC
- Purchase and installation of all components
- Systems test period of 4-6 weeks prior to transfer of title of equipment to site owner

- Any required Permits (Cooperative will reimburse actual cost of permits)
- Meter socket on the A/C output of the inverter(s)
- Interconnection with Customers electric service
- Fencing around inverters and other equipment as required for security and public safety
- Project to meet or exceed SunWatts standards
- Basic training for site owner / site operator
- Operators Manual

THE COOPERATIVE WILL PROVIDE THE FOLLOWING:

- Meter to measure AC output from PV system to owners electric panel
- Written permission from site owner to build the PV Module
- Act as the point of contact with the installation Contractor on behalf of the site owner

STRUCTURAL DESIGN REQUIREMENTS:

The basic structure is to support the PV cells but must be able to work as a carport with all the required clearances. Support should be in a cantilever style to allow easy parking, spacing on vertical supports should be in multiples of 10 feet to be able to match typical parking lot spacing, height should allow the parking of full size passenger vans, and structure does not have to be water proof (providing shade to vehicles is secondary to the production of energy). Sample profile (to show intent not required design) is on page 4. Ideal structure would have the ability to support PV panels that would be effective if the long side of the structure is in a North-South as well as East-West orientation.

PV DESIGN REQUIREMENTS:

- PV panels shall have warranty for a minimum of 15 years to cover rated output (output degradation not to exceed 20% over life of panel)
- All system components will be UL certified
- System will include isolation transformers per section 250-30 of the NEC
- Polyphase inverter with voltage to match customer's system
- Inverter to match capacity of project
- 15 year manufacturers warranty on Inverter (contractor may use an extended warranty insurance policy to meet 15 year requirement)
- Contractor will warranty repair labor at 100% for first 5 years, 66% of labor for second 5 years, and 33% of labor for remaining 5 years, (limited to warranty repairs)
- Interconnection costs from site of PV system to nearest practical distribution panel will be on a case by case basis, (site selection process will keep this as short as possible)

SUNWATTS REQUIREMENTS:

- One-line drawings subject to approval by local Cooperative's engineering department
- Units to operate in parallel with grid
- Includes protection for out of frequency problems

- Low harmonics
- Inverter must disconnect in the event grid power is lost
- Lockable safety switch located between the inverter and meter socket

TRAINING REQUIREMENTS:

The Contractor will provide sufficient time with the site owner to explain how to disconnect the system, locate inverter, identify all junction boxes between the modules, and identify any system warning lights or displays. Contractor will also provide system manual with basic operating instructions and all the associated warranty information and manufacturer contacts listed.

## EXHIBIT D

## MONTHLY DRAWDOWN SCHEDULE OF AMOUNTS TO BE ADVANCED TO THE BORROWER PURSUANT TO THE LOAN AGREEMENT

| DATE ON WHICH PROCEEDS ARE EXPECTED TO BE EXPENDED | AMOUNTS OF PROCEEDS TO BE EXPENDED |
|---|---|
| June 23, 2008 | $280,000 |
| June 30, 2008 | $280,000 |
| July 7, 2008 | $280,000 |

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

To

NATIONAL RURAL UTILITIES
COOPERATIVE FINANCE CORPORATION
Issuer

# LOAN AGREEMENT

Dated as of 12/21, 2007

Clean Renewable Energy Bonds
(Cooperative Renewable Energy Projects) Series 2008A
of National Rural Utilities Cooperative Finance Corporation

CFC LOANAG
AZ014-A-9043-CB001 (JABLONJ)
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Schedule I
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## LOAN AGREEMENT

**LOAN AGREEMENT** (this "Agreement") dated as of _____, between SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. ("Borrower"), a corporation organized and existing under the laws of the State of Arizona and NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION ("CFC"), a cooperative association organized and existing under the laws of the District of Columbia.

## RECITALS

**WHEREAS,** the Borrower has applied to CFC for a loan for the purposes set forth in Schedule 1 hereto, and CFC is willing to make such a loan to the Borrower on the terms and conditions stated herein; and

**WHEREAS,** the Borrower has agreed to execute a promissory note to evidence an indebtedness in the aggregate principal amount of the CFC Commitment (as hereinafter defined).

**NOW, THEREFORE,** for and in consideration of the premises and the mutual covenants hereinafter contained, the parties hereto agree and bind themselves as follows:

## ARTICLE I

## DEFINITIONS

**Section 1.01** For purposes of this Agreement, the following capitalized terms shall have the following meanings (such definitions to be equally applicable to the singular and the plural form thereof). Capitalized terms that are not defined herein shall have the meanings as set forth in the Mortgage.

**"Accounting Requirements"** shall mean any system of accounts prescribed by a federal regulatory authority having jurisdiction over the Borrower or, in the absence thereof, the requirements of GAAP applicable to businesses similar to that of the Borrower.

**"Advance"** shall mean each advance of funds by CFC to the Borrower pursuant to the terms and conditions of this Agreement, including the Initial Advance and the Primary Advance.

**"Authorized Officer of the Borrower"** means the Chairman, General Manager or Chief Financial Officer of the Borrower or any other person authorized by the Board of the Borrower so to act or any other person performing a function similar to the function performed by any such officer or authorized person.

**"Average DSC Ratio"** shall mean the average of the Borrower's two highest annual DSC Ratios during the most recent three calendar years.

**"Bond Counsel"** means an attorney at law or a firm of attorneys (designated by CFC and acceptable to the Trustee) of nationally recognized standing in matters pertaining to the tax-exempt nature of interest or tax credits on bonds issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of any state of the United States of America.

**"Business Day"** shall mean any day that both CFC and the depository institution CFC utilizes for funds transfers hereunder are open for business.

**"CFC Commitment"** shall have the meaning as defined in Schedule 1.

**"CFC CREB Rate"** shall mean the interest rate charged by CFC for loans made by CFC from proceeds of the CREBs which rate shall not exceed one hundred and fifty basis points (150/100 of 1%) per annum.

**"Closing Date"** shall mean the date CFC issues the CREBs.

**"Code"** shall mean the Internal Revenue Code of 1986, as supplemented and amended.

**"Completion Certificate"** shall mean the certificate of the Borrower required by Section 5.01.P of this Agreement, substantially in the form of Exhibit C hereto.

**"CREBs"** shall mean the series of Securities issued by CFC to provide financing for the Project.

**"CREB Maturity Date"** shall mean the maturity date of the CREBs, which shall be the December 15th prior to the Maximum CREB Term Anniversary Date.

**"Debt Service Coverage ("DSC") Ratio"** shall mean the ratio determined as follows: for any calendar year add (i) Operating Margins, (ii) Non-Operating Margins--Interest, (iii) Interest Expense, (iv) Depreciation and Amortization Expense, and (v) cash received in respect of generation and transmission and other capital credits, and divide the sum so obtained by the sum of all payments of Principal and Interest Expense required to be made during such calendar year; provided, however, that in the event that any amount of Long-Term Debt has been refinanced during such year, the payments of Principal and Interest Expense required to be made during such year on account of such refinanced amount of Long-Term Debt shall be based (in lieu of actual payments required to be made on such refinanced amount of Long-Term 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 payment of Principal and Interest Expense required to be made during the following year on account of such refinancing debt.

**"Default Rate"** shall mean a rate per annum equal to one hundred and fifty basis points (150/100 of 1%).

**"Depreciation and Amortization Expense"** shall mean an amount constituting the depreciation and amortization of the Borrower computed pursuant to Accounting Requirements.

**"Determination of Tax Credit Ineligibility"** shall mean a determination that a particular series of Securities does not qualify for a tax credit for the owner thereof under Section 54 of the Code, which determination shall be deemed to have been made upon the occurrence of the first to occur of the following:

(a) the date on which CFC determines that there is a significant likelihood that a particular series of Securities may not qualify for a tax credit, if such determination is supported by a written opinion of Bond Counsel to that effect; or

(b) the date on which CFC shall receive notice in writing that the Trustee has been advised by the owner of any Security that a particular series of Securities does not qualify for a tax credit for the owner thereof, based upon a final determination made either by: (A) the Internal Revenue Service in a published or private ruling or technical advice memorandum or (B) any court of competent jurisdiction in the United States of America, as a result of a failure by CFC or any borrower to observe any agreement or representation in the Tax Compliance Agreement or a Loan Agreement or Project Agreement relating to the proceeds of the Securities. Any such determination will not be considered final for this purpose unless the Owner of the Securities involved in the proceeding or action resulting in the determination (i) gives CFC and the Trustee prompt written notice of the commencement thereof and (ii) if CFC agrees to pay all expenses in connection therewith and to indemnify such Owner of the Securities against all liabilities in connection therewith, offers CFC an opportunity to contest the determination, either directly or in the name of the Owner of the Securities, and until conclusion of any review, if sought.

**"Distributions"** shall mean, with respect to the Borrower, any dividend, patronage refund, patronage capital retirement or cash distribution to its members, or consumers (including but not limited to any general cancellation or abatement of charges for electric energy or services furnished by the Borrower). The term "Distribution" shall *not* include (a) a distribution by the Borrower to the estate of a deceased patron, (b) repayment by the Borrower of a membership fee upon termination of a membership, or (c) any rebate to a patron resulting from a cost abatement received by the Borrower, such as a reduction of wholesale power cost previously incurred.

**"Draw Period"** shall have the meaning as described in Schedule 1 hereto.

**"Environmental Laws"** shall mean all laws, rules and regulations promulgated by any Governmental Authority, with which Borrower is required to comply, regarding the use, treatment, discharge, storage, management, handling, manufacture, generation, processing, recycling, distribution, transport, release of or exposure to any Hazardous Material.

**"Equity"** shall mean the aggregate of the Borrower's equities and margins computed pursuant to Accounting Requirements.

**"Event of Default"** shall have the meaning as described in Article VI hereof.

**"Funds Requisition Statement"** shall mean the certificate of the Borrower, in the form set forth as Exhibit A to this Agreement, by which the Borrower will obtain an advance of funds from CFC under the Loan.

**"GAAP"** shall mean generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board.

**"Governmental Authority"** shall mean the government of the United States of America, any other nation or government, any state or other political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

**"Hazardous Material"** shall mean any (a) petroleum or petroleum products, radioactive materials, asbestos-containing materials, polychlorinated biphenyls, lead and radon gas, and (b) any

other substance designated as hazardous or toxic or as a pollutant or contaminant under any Environmental Law.

**"Indenture"** shall mean the Indenture between CFC and U.S. Bank Trust Company National Association, relating to the first issue of Securities, pursuant to which the Securities, including the CREBs are issued, as supplemented and amended.

**"Initial Advance"** shall mean the Advance made by CFC on the Closing Date pursuant to Section 3.02.A hereof to fund a portion of CFC's costs in issuing the CREBs attributable to the CFC Commitment, including, but not limited to, original issue discount, underwriting discount and other costs of issuance, including, without limitation, rating agency costs and legal, underwriting and Trustee expenses.

**"Interest Expense"** shall mean an amount constituting the interest expense with respect to Long-Term Debt of the Borrower computed pursuant to Accounting Requirements. 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 Restricted Rentals paid by the Borrower over 2% of the Borrower's Equity.

**"Lien"** shall mean any statutory or common law consensual or non-consensual mortgage, pledge, security interest, encumbrance, lien, right of set off, claim or charge of any kind, including, without limitation, any conditional sale or other title retention transaction, any lease transaction in the nature thereof and any secured transaction under the Uniform Commercial Code.

**"Loan"** shall mean the loan made by CFC to the Borrower, pursuant to this Agreement and the Note, in an aggregate principal amount not to exceed the CFC Commitment.

**"Loan Capital Term Certificate" or "LCTC"** shall mean a certificate, or book entry form of account, evidencing the Borrower's purchase of equity in CFC.

**"Loan Documents"** shall mean this Agreement, the Note, the Mortgage, the Project Agreement and all other documents or instruments executed, delivered or executed and delivered by the Borrower and evidencing, securing, governing or otherwise pertaining to, the Loan.

**"Long-Term Debt"** shall mean an amount constituting the long-term debt of the Borrower computed pursuant to Accounting Requirements.

**"Maturity Date"** shall mean the Payment Date immediately prior to the CREB Maturity Date permitted for the CREBs under Section 54(e)(2) of the Code as in effect on the Closing Date.

**"Maximum CREB Term Anniversary Date"** shall mean the anniversary of the Closing Date that occurs at the maximum term permitted for the CREBs under Section 54(e)(2) of the Code as in effect on the Closing Date.

**"Mortgage"** shall have the meaning as described in Schedule 1 hereto.

**"Mortgaged Property"** shall have the meaning ascribed to it in the Mortgage.

**"Non-Operating Margins--Interest"** shall mean the amount representing the interest component of non-operating margins of the Borrower computed pursuant to Accounting Requirements.

**"Note"** shall mean the secured promissory note, payable to the order of CFC, executed by the Borrower, dated as of even date herewith, pursuant to this Agreement as identified on Schedule 1 hereto and shall include any substitute note or modification thereto.

**"Obligations"** shall mean any and all liabilities, obligations or indebtedness owing by the Borrower to CFC, of any kind or description, irrespective of whether for the payment of money, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising.

**"Operating Margins"** shall mean the amount of patronage capital and operating margins of the Borrower computed pursuant to Accounting Requirements.

**"Payment Date"** shall mean the first (1st) day of each of March, June and September and December.

**"Payment Notice"** shall mean a notice furnished by CFC to the Borrower that indicates the amount of each payment of interest or interest and principal and the total amount of each payment due.

**"Permitted Encumbrances"** shall have the meaning ascribed to it in the Mortgage.

**"Person"** shall mean natural persons, cooperatives, corporations, limited liability companies, limited partnerships, general partnerships, limited liability partnerships, joint ventures, associations, companies, trusts or other organizations, irrespective of whether they are legal entities, and Governmental Authorities.

**"Primary Advance"** shall mean the Advance made by CFC to the Borrower pursuant to Section 3.02.B hereof two Business Days after the Closing Date to reimburse Borrower for costs of the Project.

**"Principal"** shall mean the amount of principal billed on account of Long-Term Debt of the Borrower computed pursuant to Accounting Requirements.

**"Project"** shall mean the project being financed pursuant to the Loan, as further described in Schedule 1.

**"Project Account"** means an account created pursuant to the Indenture within the Project Fund related to the CREBs.

**"Project Agreement"** shall mean the Project Agreement, dated as of even date herewith, executed by the Borrower with respect to the Project and the CREBs.

**"Project Fund"** means the Project Fund created and identified as such in the Indenture.

**"Restricted Rentals"** shall mean all rentals required to be paid under finance leases and charged to income, exclusive of any amounts paid under any such lease (whether or not designated therein as rental or additional rental) for maintenance or repairs, insurance, taxes, assessments, water rates or similar charges. For the purpose of this definition the term "finance lease" shall mean any lease having a rental term (including the term for which such lease may be renewed or extended at the option of the lessee) in excess of three (3) years and covering property having an initial cost in excess of $250,000 other than automobiles, trucks, trailers, other vehicles (including without

limitation aircraft and ships), office, garage and warehouse space and office equipment (including without limitation computers).

**"Securities"** shall mean one or more series of clean renewable energy bonds issued by CFC under the Indenture.

**"Subsidiary"** as to any Person, shall mean a corporation, partnership, limited partnership, limited liability company or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise qualified, all references to a "Subsidiary" or to "Subsidiaries" in this Agreement shall refer to a Subsidiary or Subsidiaries of the Borrower.

**"Tax Compliance Agreement"** means a tax compliance certificate and agreement of CFC with respect to a series of Securities, as accepted by the Trustee, as amended.

**"Termination Certificate"** shall mean the certificate of the Borrower required by Section 5.01.Q of this Agreement, substantially in the form of Exhibit D hereto.

**"Total Assets"** shall mean an amount constituting the total assets of the Borrower computed pursuant to Accounting Requirements.

**"Total Utility Plant"** shall mean the amount constituting the total utility plant of the Borrower computed pursuant to Accounting Requirements.

**"Trustee"** shall mean U.S. Bank Trust Company National Association and its successors and assigns.

## ARTICLE II

## REPRESENTATIONS AND WARRANTIES

**Section 2.01** The Borrower represents and warrants to CFC that as of the date of this Agreement:

A. **Good Standing.** The Borrower is duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization, is duly qualified to do business and is in good standing in those states in which it is required to be qualified to conduct its business. The Borrower is a member in good standing of CFC.

B. **Subsidiaries and Ownership.** Schedule 1 hereto sets forth a complete and accurate list of the Subsidiaries of the Borrower showing the percentage of the Borrower's ownership of the outstanding stock, membership interests or partnership interests, as applicable, of each Subsidiary.

C. **Authority; Validity.** The Borrower has the power and authority to enter into this Agreement, the Note, the Project Agreement and the Mortgage; to make the borrowing hereunder; to execute and deliver all documents and instruments required hereunder and to incur and perform the obligations provided for herein, in the Note, in the Project Agreement and in the Mortgage, all of which have been duly authorized by all necessary and proper action; and no consent or approval of

any Person, including, as applicable and without limitation, members of the Borrower, which has not been obtained is required as a condition to the validity or enforceability hereof or thereof.

Each of this Agreement, the Note, the Project Agreement and the Mortgage is, and when fully executed and delivered will be, legal, valid and binding upon the Borrower and enforceable against the Borrower in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity.

**D. No Conflicting Agreements.** The execution and delivery of the Loan Documents and performance by the Borrower of the obligations thereunder, and the transactions contemplated hereby or thereby, will not: (i) violate any provision of law, any order, rule or regulation of any court or other agency of government, any award of any arbitrator, the articles of incorporation or by-laws of the Borrower, or any indenture, contract, agreement, mortgage, deed of trust or other instrument to which the Borrower is a party or by which it or any of its property is bound; or (ii) be in conflict with, result in a breach of or constitute (with due notice and/or lapse of time) a default under, any such award, indenture, contract, agreement, mortgage, deed of trust or other instrument, or result in the creation or imposition of any Lien (other than contemplated hereby) upon any of the property or assets of the Borrower.

The Borrower is not in default in any material respect under any agreement or instrument to which it is a party or by which it is bound and no event or condition exists which constitutes a default, or with the giving of notice or lapse of time, or both, would constitute a default under any such agreement or instrument.

**E. Taxes.** The Borrower, and each of its Subsidiaries, has filed or caused to be filed all federal, state and local tax returns which are required to be filed and has paid or caused to be paid all federal, state and local taxes, assessments, and governmental charges and levies thereon, including interest and penalties to the extent that such taxes, assessments, and governmental charges and levies have become due, except for such taxes, assessments, and governmental charges and levies which the Borrower or any Subsidiary is contesting in good faith by appropriate proceedings for which adequate reserves have been set aside.

**F. Licenses and Permits.** The Borrower has duly obtained and now holds all licenses, permits, certifications, approvals and the like necessary to own and operate its property and business that are required by Governmental Authorities and each remains valid and in full force and effect.

**G. Litigation.** There are no outstanding judgments, suits, claims, actions or proceedings pending or, to the knowledge of the Borrower, threatened against or affecting the Borrower, its Subsidiaries or any of their respective properties which, if adversely determined, either individually or collectively, would have a material adverse effect upon the business, operations, prospects, assets, liabilities or financial condition of the Borrower or its Subsidiaries. The Borrower and its Subsidiaries are not, to the Borrower's knowledge, in default or violation with respect to any judgment, order, writ, injunction, decree, rule or regulation of any Governmental Authority which would have a material adverse effect upon the business, operations, prospects, assets, liabilities or financial condition of the Borrower or its Subsidiaries.

**H. Financial Statements.** The balance sheet of the Borrower as at the date identified in Schedule 1 hereto, the statement of operations of the Borrower for the period ending on said date, and the interim financial statements of the Borrower, all heretofore furnished to CFC, are complete and correct. Said balance sheet fairly presents the financial condition of the Borrower as at said date

and said statement of operations fairly reflects its operations for the period ending on said date. The Borrower has no contingent obligations or extraordinary forward or long-term commitments except as specifically stated in said balance sheet or herein. There has been no material adverse change in the financial condition or operations of the Borrower from that set forth in said financial statements except changes disclosed in writing to CFC prior to the date hereof.

I. **Borrower's Legal Status.** Schedule 1 hereto accurately sets forth: (i) the Borrower's exact legal name, (ii) the Borrower's organizational type and jurisdiction of organization, (iii) the Borrower's organizational identification number or accurate statement that the Borrower has none, and (iv) the Borrower's place of business or, if more than one, its chief executive office as well as the Borrower's mailing address if different.

J. **Required Approvals.** Other than the CREBs allocation received from the Internal Revenue Service, no license, consent or approval of any Governmental Authority is required to enable the Borrower to enter into this Agreement, the Project Agreement, the Note and the Mortgage, or to perform any of its Obligations provided for in such documents, including without limitation (and if applicable), that of any state public utilities commission, any state public service commission, and the Federal Energy Regulatory Commission, except as disclosed in Schedule 1 hereto, all of which the Borrower has obtained prior to the date hereof.

K. **Compliance With Laws.** The Borrower and each Subsidiary is in compliance, in all material respects, with all applicable requirements of law and all applicable rules and regulations of each Governmental Authority.

L. **Disclosure.** To the Borrower's knowledge, information and belief, neither this Agreement nor any document, certificate or financial statement furnished to CFC by or on behalf of the Borrower in connection herewith (all such documents, certificates and financial statements, taken as a whole) contains any untrue statement of a material fact or omits to state any material fact necessary in order to make the statements contained herein and therein not misleading.

M. **No Other Liens.** As to property which is presently included in the description of Mortgaged Property, the Borrower has not, without the prior written approval of CFC, executed or authenticated any security agreement or mortgage, or filed or authorized any financing statement to be filed with respect to assets owned by it, other than security agreements, mortgages and financing statements in favor of CFC, except as disclosed in writing to CFC prior to the date hereof or relating to Permitted Encumbrances.

N. **Environmental Matters.** Except as to matters which individually or in the aggregate would not have a material adverse effect upon the business or financial condition of the Borrower or its Subsidiaries, (i) Borrower is in compliance with all Environmental Laws (including, but not limited to, having any required permits and licenses), (ii) there have been no releases (other than releases remediated in compliance with Environmental Laws) from any underground or aboveground storage tanks (or piping associated therewith) that are or were present at the Mortgaged Property, (iii) Borrower has not received written notice or claim of any violation of any Environmental Law, (iv) there is no pending investigation of Borrower in regard to any Environmental Law, and (v) to the best of Borrower's knowledge, there has not been any release or contamination (other than releases or contamination remediated in compliance with Environmental Laws) resulting from the presence of Hazardous Materials on property owned, leased or operated by the Borrower.

O. **Project Agreement.** As set forth in the Project Agreement, the Project constitutes "a qualified project" as defined in Section 54(d)(2)(A) of the Code. As set forth in the Project Agreement,

the Borrower constitutes currently, and will remain through the period that the CREBs remain outstanding, "a Qualified Borrower", meaning a (i) mutual or cooperative electric company described in Sections 501(c)(12) or 1381(a)(2)(C) of the Code, or (ii) a Governmental Body, which is defined as any state, territory possession of the U.S., the District of Columbia, Indian tribal government, and any political subdivision thereof. The statements, information and descriptions contained in the Project Agreement are true, correct and complete, and do not contain any untrue statement or misleading statement of a material fact, and do not omit to state a material fact required to be stated therein or necessary to make the statements, information and descriptions contained therein, in the light of the circumstances under which they were made, not misleading, and the estimates and the assumptions contained in the Project Agreement are reasonable and based on the best information available to the Borrower.

## ARTICLE III

## LOAN

**Section 3.01 Definitions.** For purposes of this Article 3, the following capitalized terms shall have the following meanings:

**"Borrower's Annual Bond Repayment Amount"** shall mean the amount determined by dividing the CFC Commitment by the number of years from the Closing Date to the Maximum CREB Term Anniversary Date, which amount shall be recalculated on the date CFC rescinds any excess moneys pursuant to Section 3.05 or 3.06 hereof.

**"Quarterly Bond Deposit Amount"** shall mean for each Payment Date, the amount determined by subtracting from the Quarterly Bond Repayment Amount the principal amount payable by the Borrower pursuant to Section 3.03.A(ii)(b)(1) on such Payment Date.

**"Quarterly Bond Repayment Amount"** shall mean one-fourth (¼) of the Borrower's Annual Bond Repayment Amount.

**Section 3.02 Advances.** The obligation of the Borrower to repay the Advances shall be evidenced by the Note. The aggregate amount of all Advances made hereunder shall not exceed the CFC Commitment. At the end of the Draw Period, CFC shall have no further obligation to make Advances.

A. **Initial Advance.** Borrower hereby agrees that on the Closing Date, CFC shall automatically, and without action by Borrower, make the Initial Advance. On the Closing Date, CFC shall notify Borrower of the final amount of the Initial Advance and the amount of the CFC Commitment remaining for Borrower to subsequently Advance.

B. **Subsequent Advances.**

(i) The Borrower may submit a request for the Primary Advance to CFC in writing (which may be submitted by facsimile) no later than 12:00 noon local time at CFC's offices in Herndon, Virginia seven Business Days prior to the Closing Date. The Primary Advance may be requested in any amount up to the CFC Commitment. CFC shall make the Primary Advance two Business Days after the Closing Date in the lesser of (i) the aggregate amount of such requested Primary Advance, and (ii) the amount of the CFC Commitment less the amount of the Initial Advance.

(ii) Except as set forth in 3.02.A and 3.02.B(i) hereof, the Borrower shall submit its request for an Advance to CFC in writing (which may be submitted by facsimile) no later than 12:00 noon local time at CFC's offices in Herndon, Virginia at least two (2) Business Days prior to the last Business Day of any calendar month. Borrower may make multiple requests for Advances during any calendar month in any amount so long as the aggregate amount of all Advances requested in such month is in an amount not less than $100,000.00; *provided, however* that at such time as there remains less than $100,000.00 available for Advance hereunder, Borrower may request the entirety of such remaining amount. CFC shall make a single Advance to Borrower on the first Business Day of the calendar month following Borrower's request(s) for an Advance. Such Advance shall be in the aggregate amount of all Advances requested by Borrower in the prior month, *provided however* that at such time as there remains less than $100,000.00 available for Advance hereunder and Borrower requests the entirety of such remaining amount, CFC shall Advance the entirety of such remaining amount.

**Section 3.03 Interest Rate and Payment.** The Note shall be payable and bear interest as follows:

**A. Payments; Maturity; Amortization.**

(i) The Note shall be due and payable on the Maturity Date.

(ii) On each Payment Date, the Borrower shall promptly pay the following:

(a) accrued interest on the principal amount of the Loan outstanding less the amount of the Initial Advance; and

(b) the Quarterly Bond Repayment Amount, consisting of:

(1) the principal amount due on any outstanding Advances, determined on the basis of a quarterly amortization schedule from the date of each Advance; and

(2) the Quarterly Bond Deposit Amount.

(iii) If not sooner paid, any amount due on account of the unpaid principal, interest accrued thereon and fees, if any, shall be due and payable on the Maturity Date.

(iv) Each Advance shall amortize on a level principal payment basis from the date thereof through the Maturity Date.

(v) CFC will furnish to the Borrower a Payment Notice at least ten (10) days before each Payment Date, provided, however, that CFC's failure to send a Payment Notice shall not constitute a waiver by CFC or be deemed to relieve the Borrower of its obligation to make payments as and when due as provided for herein.

(vi) No provision of this Agreement or of any Note shall require the payment, or permit the collection, of interest in excess of the highest rate permitted by applicable law.

Borrower agrees that the records of, and all computations by, CFC (in whatever media they are recorded or maintained) as to the amount of principal, interest, fees and Quarterly Bond Deposit Amount due on the Loan shall be conclusive in the absence of manifest error.

**B. Application of Payments.** Each payment shall be applied to the Loan, first to any fees, costs, expenses or charges other than interest or principal, second to interest accrued, third to the Quarterly Bond Deposit Amount and the balance to principal.

**C. Application of Bond Repayment Deposit.** At such time as the aggregate amount billed by CFC in any calendar year on account of amortized principal under this Agreement exceeds the Borrower's Annual Bond Repayment Amount for such year, CFC shall apply a portion of the Borrower's prior payments of the Quarterly Bond Deposit Amount in the amount of such overage to principal then due. Until such time, Borrower's payments of the Quarterly Bond Deposit Amount shall not reduce the amount of principal outstanding and subject to amortization. Any amount paid by the Borrower under this Agreement on account of the Quarterly Bond Deposit Amount in excess of the principal amount of the fully advanced Loan shall be refunded to the Borrower on the Maturity Date.

**D. Interest Rate Computation.** Each Advance except the Initial Advance shall bear interest at the CFC CREB Rate which shall apply until the Maturity Date. The Initial Advance shall not bear interest. Interest on Advances shall be computed on the basis of a 30-day month and 360-day year.

**Section 3.04. Extraordinary Obligation to Prepay.** Upon a Determination of Tax Credit Ineligibility that subjects the CREBs to an extraordinary mandatory redemption due to a failure of the Borrower to observe any agreement or representation in this Loan Agreement (as more particularly described in paragraph (b) of the defined term "Determination of Tax Credit Ineligibility"), the Borrower shall prepay the Loan, or such part thereof as determined by CFC, at such times and in such amounts as determined by CFC within sixty (60) days of such determination together with a prepayment premium prescribed by CFC pursuant to its policies of general application in effect from time to time.

**Section 3.05. Rescission of Excess Moneys; Fee.** If the Borrower has not drawn down the full amount of the CFC Commitment at (i) the time of filing the Completion Certificate under Section 5.01P. hereof, (ii) the time of filing the Termination Certificate under 5.01Q. hereof, (iii) a Determination of Tax Credit Ineligibility or (iv) the end of the Draw Period, a corresponding rescission of the amount of principal available to be drawn on the Note as calculated by CFC shall automatically be made without further action by the Borrower. CFC shall release the Borrower from its obligations hereunder as to such rescinded portion, provided the Borrower complies with such terms and conditions as CFC may impose for such release including, without limitation, payment of any rescission fee that CFC may from time to time prescribe, pursuant to its policies of general application.

**Section 3.06. Cancellation of Excess Moneys.** If the Borrower has not drawn down the full amount of the CFC Commitment at the time CFC determines that it will cease making Advances hereunder pursuant to Section 7.01 hereof, a corresponding cancellation of the amount of principal available to be drawn on the Note as calculated by CFC shall automatically be made without action by the Borrower.

**Section 3.07. Default Rate.** If Borrower defaults on its obligation to make a payment due hereunder by the applicable Payment Date, and such default continues for thirty days thereafter, then

beginning on the thirty-first day after the Payment Date and for so long as such default continues, Advances shall bear interest at the Default Rate.

**Section 3.08. Patronage Capital; Interest Rate Discounts.** No patronage capital shall be earned, and no interest rate discounts shall apply, to the Loan.

**Section 3.09. Optional Prepayment.** Except for prepayments made pursuant to Section 3.04 hereof, no prepayment of any Advance, in whole or in part, may be made by the Borrower.

## ARTICLE IV

## CONDITIONS OF LENDING

**Section 4.01** The obligation of CFC to make any Advance hereunder is subject to satisfaction of the following conditions in form and substance satisfactory to CFC:

**A. Legal Matters.** All legal matters incident to the consummation of the transactions hereby contemplated shall be satisfactory to counsel for CFC.

**B. Documents.** CFC shall have been furnished with (i) the executed Loan Documents, (ii) certified copies of all such organizational documents and proceedings of the Borrower authorizing the transactions hereby contemplated as CFC shall require, (iii) an opinion of counsel for the Borrower addressing such legal matters as CFC shall reasonably require, and (iv) all other such documents as CFC may reasonably request.

**C. Government Approvals.** The Borrower shall have furnished to CFC true and correct copies of all certificates, authorizations, consents, permits and licenses from Governmental Authorities necessary for the execution or delivery of the Loan Documents or performance by the Borrower of the obligations thereunder.

**D. Representations and Warranties.** The representations and warranties contained in Article II shall be true on the date of the making of each Advance hereunder with the same effect as though such representations and warranties had been made on such date; no Event of Default and no event which, with the lapse of time or the notice and lapse of time would become such an Event of Default, shall have occurred and be continuing or will have occurred after giving effect to each Advance on the books of the Borrower; there shall have occurred no material adverse change in the business or condition, financial or otherwise, of the Borrower; and nothing shall have occurred which in the opinion of CFC materially and adversely affects the Borrower's ability to perform its obligations hereunder.

**E. Mortgage Recordation.** The Mortgage (and any amendments, supplements or restatements as CFC may require from time to time) shall have been duly filed, recorded or indexed in all jurisdictions necessary (and in any other jurisdiction that CFC shall have reasonably requested) to provide CFC a lien, subject to Permitted Encumbrances, on all of the Borrower's real property, all in accordance with applicable law, and the Borrower shall have paid all applicable taxes, recording and filing fees and caused satisfactory evidence thereof to be furnished to CFC.

**F. UCC Filings.** Uniform Commercial Code financing statements (and any continuation statements and other amendments thereto that CFC shall require from time to time) shall have been duly filed, recorded or indexed in all jurisdictions necessary (and in any other jurisdiction that CFC

shall have reasonably requested) to provide CFC a perfected security interest, subject to Permitted Encumbrances, in the Mortgaged Property which may be perfected by the filing of a financing statement, all in accordance with applicable law, and the Borrower shall have paid all applicable taxes, recording and filing fees and caused satisfactory evidence thereof to be furnished to CFC.

**G. Requisitions.** The Borrower will requisition each Advance by submitting its written requisition to CFC in the form attached as Exhibit A hereto. Requisitions for Advances shall be made only for the purposes set forth in Schedule 1 hereto.

**H. Other Information.** The Borrower shall have furnished such other information as CFC may reasonably require, including but not limited to (i) information regarding the specific purpose for an Advance and the use thereof, (ii) feasibility studies, cash flow projections, financial analyses and pro forma financial statements sufficient to demonstrate to CFC's reasonable satisfaction that after giving effect to the Advance requested, the Borrower shall continue to achieve the DSC ratio set forth in Section 5.01.A herein, to meet all of its debt service obligations, and otherwise to perform and to comply with all other covenants and conditions set forth in this Agreement, and (iii) any other information as CFC may reasonably request. CFC's obligation to make any Advance hereunder is conditioned upon prior receipt and approval of the Borrower's written requisition and other information and documentation, if any, as CFC may have requested pursuant to this paragraph.

**I. Issuance of Bonds.** CFC shall have issued CREBs in an amount not less than the CFC Commitment.

**J. CREB Allocation.** CFC shall have received an allocation in the amount of the CFC Commitment from the U.S. Department of Treasury for the Borrower's Project under its Securities program.

**K. Tax Credit Ineligibility.** There shall have occurred no Determination of Tax Credit Ineligibility with regard to the Borrower or the Project.

**L. Bring Down Certificate.** Two (2) Business Days prior to the Closing Date, the Borrower shall furnish CFC with a certificate of an Authorized Officer of the Borrower in the form of Exhibit B hereto, certifying that all of the representations and warranties set forth in Article II hereof are true on the Closing Date.

## ARTICLE V

## COVENANTS

**Section 5.01 Affirmative Covenants.** The Borrower covenants and agrees with CFC that until payment in full of the Note and performance of all obligations of the Borrower hereunder:

**A. Financial Ratios; Design of Rates.** The Borrower shall achieve an Average DSC Ratio of not less than 1.35. The Borrower shall not decrease its rates for electric service if it has failed to achieve a DSC Ratio of 1.35 for the calendar year prior to such reduction subject only to an order from a Governmental Authority properly exercising jurisdiction over the Borrower.

**B. Loan Proceeds.** The Borrower shall use the proceeds of this Loan solely for the purposes identified on Schedule 1 hereto.

**C. Notice.** The Borrower shall promptly notify CFC in writing of:

(i) any material adverse change in the business, operations, prospects, assets, liabilities or financial condition of the Borrower;

(ii) the institution or threat of any litigation or administrative proceeding of any nature involving the Borrower which could materially affect the business, operations, prospects, assets, liabilities or financial condition of the Borrower;

(iii) the occurrence of an Event of Default hereunder, or any event that, with the giving of notice or lapse of time, or both, would constitute an Event of Default.

**D. Default Notices.** Upon receipt of any notices with respect to a default by the Borrower under the terms of any evidence of any indebtedness with parties other than CFC or of any loan agreement, mortgage or other agreement relating thereto, the Borrower shall deliver copies of such notice to CFC.

**E. Annual Certificates.**

(i) Within one hundred twenty (120) days after the close of each calendar year, commencing with the year in which the initial Advance hereunder shall have been made, the Borrower will deliver to CFC a written statement, in form and substance satisfactory to CFC, signed by the Borrower's General Manager or Chief Executive Officer, stating that during such year, and that to the best of said person's knowledge, the Borrower has fulfilled all of its obligations under this Agreement, the Project Agreement, the Note, and the Mortgage throughout such year or, if there has been a default in the fulfillment of any such obligations, specifying each such default known to said person and the nature and status thereof.

(ii) The Borrower shall deliver to CFC within one hundred twenty (120) days of CFC's written request, which shall be no more frequently than once every year, a certification, in form and substance satisfactory to CFC, regarding the condition of the Mortgaged Property prepared by a professional engineer satisfactory to CFC. The Borrower shall also deliver to CFC such other information as CFC may reasonably request from time to time.

**F. Loan Capital Term Certificate Purchase.** The Borrower will purchase LCTCs, if required, in an amount calculated pursuant to CFC's policies of general application and shall pay for such LCTCs as required thereby. CFC's policies with respect to such LCTCs are set forth in Schedule 1.

**G. Financial Books; Financial Reports; Right of Inspection.** The Borrower will at all times keep, and safely preserve, proper books, records and accounts in which full and true entries will be made of all of the dealings, business and affairs of the Borrower, in accordance with Accounting Requirements. When requested by CFC, the Borrower will prepare and furnish CFC from time to time, periodic financial and statistical reports on its condition and operations. All of such reports shall be in such form and include such information as may be specified by CFC. Within one hundred twenty (120) days of the end of each calendar year during the term hereof, the Borrower shall furnish to CFC a full and complete report of its financial condition and statement of its operations as of the end of such calendar year, in form and substance satisfactory to CFC. In addition, within one hundred twenty (120) days of the end of each the Borrower's fiscal years during the term hereof, the Borrower shall furnish to CFC a full and complete consolidated and consolidating report of its financial condition and statement of its operations as of the end of such fiscal year,

audited and certified by independent certified public accountants nationally recognized or otherwise satisfactory to CFC and accompanied by a report of such audit in form and substance satisfactory to CFC, including without limitation a consolidated and consolidating balance sheet and the related consolidated and consolidating statements of income and cash flow. CFC, through its representatives, shall at all times during reasonable business hours and upon prior notice have access to, and the right to inspect and make copies of, any or all books, records and accounts, and any or all invoices, contracts, leases, payrolls, canceled checks, statements and other documents and papers of every kind belonging to or in the possession of the Borrower or in anyway pertaining to its property or business.

**H. Notice of Additional Secured Debt.** The Borrower will notify CFC promptly in writing if it incurs any additional secured indebtedness other than indebtedness to CFC or indebtedness otherwise provided for in the Mortgage.

**I. Funds Requisition.** The Borrower agrees (i) that CFC may rely conclusively upon the written instructions submitted to CFC in the Borrower's written request for an Advance hereunder, (ii) that such instructions shall constitute a covenant under this Agreement to repay the Advance in accordance with such instructions, the applicable Note, the Mortgage, the Project Agreement and this Agreement, and (iii) to request Advances only for the purposes set forth in Schedule 1 hereto.

**J. Compliance With Laws.** The Borrower and each Subsidiary shall remain in compliance, in all material respects, with all applicable requirements of law and applicable rules and regulations of each Governmental Authority.

**K. Taxes.** The Borrower shall pay, or cause to be paid all taxes, assessments or governmental charges lawfully levied or imposed on or against it and its properties prior to the time they become delinquent, except for any taxes, assessments or charges that are being contested in good faith and with respect to which adequate reserves as determined in good faith by the Borrower have been established and are being maintained.

**L. Further Assurances.** The Borrower shall execute any and all further documents, financing statements, agreements and instruments, and take all such further actions (including the filing and recording of financing statements, fixture filings, mortgages, deeds of trust and other documents), which may be required under any applicable law, or which CFC may reasonably request, to effectuate the transactions contemplated by the Loan Documents or to grant, preserve, protect or perfect the Liens created or intended to be created thereby. The Borrower also agrees to provide to CFC, from time to time upon request, evidence reasonably satisfactory to CFC as to the perfection and priority of the Liens created or intended to be created by the Loan Documents.

**M. Environmental Covenants.** Borrower shall:

(i) at its own cost, comply in all material respects with all applicable Environmental Laws, including, but not limited to, any required remediation; and

(ii) if it receives any written communication alleging Borrower's violation of any Environmental Law, provide CFC with a copy thereof within ten (10) Business Days after receipt, and promptly take appropriate action to remedy, cure, defend, or otherwise affirmatively respond to the matter.

**N. Limitations on Loans, Investments and Other Obligations.** The aggregate amount of all purchases, investments, loans, guarantees, commitments and other obligations described in

Section 5.02.D(i) of this Agreement shall at all times be less than fifteen percent (15%) of Total Utility Plant or fifty percent (50%) of Equity, whichever is greater.

**O. Tax Status of the CREBs.** The Borrower shall utilize the Project or cause it to be utilized as provided in the Project Agreement until the CREB Maturity Date. No use will be made of the proceeds of the CREBs other than as set forth herein and in the Project Agreement and no changes will be made in the Project or in the operation or beneficial use thereof (including, without limiting the generality of the foregoing, the use of the Project by the Borrower or any related person) without an opinion of Bond Counsel that such a use or change will not adversely affect the eligibility of the CREBs to qualify for a tax credit for the owner thereof, for federal income tax purposes. The Borrower agrees and warrants that it will not take or authorize or permit any action to be taken and has not taken or authorized or permitted any action to be taken and will not fail to take any action to comply with the Project Agreement which adversely affects the eligibility of the CREBs to qualify for a tax credit for the owner thereof, for federal income tax purposes. This agreement and warranty shall survive the termination of this Agreement.

**P. Completion Certificate.** The Borrower shall submit to CFC within 30 days after the completion of the Project, a Completion Certificate signed by an Authorized Officer of the Borrower.

**Q. Termination Certificate.** If the Borrower determines that the Project will not be completed as described in Section 5.01.P above, then the Borrower shall submit to CFC a Termination Certificate, within 30 days of a determination that:

(i) no further acquisition, construction or installation will occur with respect to the Project; and

(ii) the Borrower does not intend to make any further Advances.

**R. Other Information.** The Borrower shall furnish such other information as CFC may reasonably require relating to the Project.

**Section 5.02 Negative Covenants.** The Borrower covenants and agrees with CFC that until payment in full of the Note and performance of all obligations of the Borrower hereunder, the Borrower will not, directly or indirectly, without CFC's prior written consent:

**A. Limitations on Mergers.** Consolidate with, merge, or sell all or substantially all of its business or assets, or enter into an agreement for such consolidation, merger or sale, to another entity or person unless such action is either approved, as is evidenced by the prior written consent of CFC, or the purchaser, successor or resulting corporation is or becomes a member in good standing of CFC and assumes the due and punctual payment of the Note and the due and punctual performance of the covenants contained in the Mortgage and this Agreement.

**B. Limitations on Sale, Lease or Transfer of Capital Assets; Application of Proceeds.** Sell, lease or transfer (or enter into an agreement to sell, lease or transfer) any capital asset, except in accordance with this Section 5.02.B. If no Event of Default (and no event which with notice or lapse of time and notice would become an Event of Default) shall have occurred and be continuing, the Borrower may, without the prior written consent of CFC, sell, lease or transfer (or enter into an agreement to sell, lease or transfer) any capital asset in exchange for fair market value consideration paid to the Borrower if the value of such capital asset is less than five percent (5%) of Total Utility Plant and the aggregate value of capital assets sold, leased or transferred in any 12-month period is less than ten percent (10%) of Total Utility Plant.

**C. Limitation on Dividends, Patronage Refunds and Other Distributions.**

(i) Make Distributions in any calendar year if, after giving effect to the Distribution, the total Equity of the Borrower will be less than twenty percent (20%) of its Total Assets.

(ii) If, after giving effect to the Distribution, the total Equity of the Borrower will be less than twenty percent (20%) of its Total Assets, then the Borrower may nevertheless make Distributions of up to thirty percent (30%) of its total margins for the preceding calendar year.

(iii) Notwithstanding anything to the contrary in subparagraphs (i) and (ii) above, the Borrower shall not make any Distribution without the prior written consent of CFC if an Event of Default under this Agreement has occurred and is continuing.

**D. Limitations on Loans, Investments and Other Obligations.**

(i) (a) Purchase, or make any commitment to purchase, any stock, bonds, notes, debentures, or other securities or obligations of or beneficial interests in, (b) make, or enter into a commitment to make, any other investment, monetary or otherwise, in, (c) make, or enter into a commitment to make, any loan to, or (d) guarantee, assume, or otherwise become liable for, or enter into a commitment to guarantee, assume, or otherwise become liable for, any obligation of any Person if, after giving effect to such purchase, investment, loan, guarantee or commitment, the aggregate amount thereof would exceed the greater of fifteen percent (15%) of Total Utility Plant or fifty percent (50%) of Equity.

(ii) The following shall not be included in the limitation of purchases, investments, loans and guarantees in (i) above: (a) bonds, notes, debentures, stock, or other securities or obligations issued by or guaranteed by the United States or any agency or instrumentality thereof; (b) bonds, notes, debentures, stock, commercial paper, subordinated capital certificates, or any other security or obligation issued by CFC or by institutions whose senior unsecured debt obligations are rated by at least two nationally recognized rating organizations in either of their two highest categories; (c) investments incidental to loans made by CFC; (d) any deposit that is fully insured by the United States; (e) loans and grants made by any Governmental Authority to the Borrower under any rural economic development program, but only to the extent that such loans and grants are non-recourse to the Borrower; and (f) unretired patronage capital allocated to the Borrower by CFC, a cooperative from which the Borrower purchases electric power, or a statewide cooperative association of which Borrower is a member.

(iii) In no event may the Borrower take any action pursuant to subsection (i) if an Event of Default under this Agreement has occurred and is continuing,

**E. Organizational Change.** Change its type of organization or other legal structure, except as permitted by Section 5.02.A. hereof, in which case the Borrower shall provide at least 30 days prior written notice to CFC together with all documentation reflecting such change as CFC may reasonably require.

**F. Notice of Change in Borrower Information.** Change its (i) state of incorporation, (ii) legal name, (iii) mailing address, or (iv) organizational identification number, if it has one, unless the Borrower provides written notice to CFC at least thirty (30) days prior to the effective date of any such change together with all documentation reflecting any such change as CFC may reasonably require.

## ARTICLE VI

## EVENTS OF DEFAULT

**Section 6.01** The following shall be "Events of Default" under this Agreement:

**A. Representations and Warranties.** Any representation or warranty made by the Borrower herein, or in any of the other Loan Documents, or in any certificate or financial statement furnished to CFC hereunder or under any of the other Loan Documents shall prove to be false or misleading in any material respect.

**B. Payment.** The Borrower shall fail to pay (whether upon stated maturity, by acceleration, or otherwise) any principal, interest, premium (if any) or other amount payable under the Note and the Loan Documents within five (5) Business Days after the due date thereof.

**C. Other Covenants.**

**(i) No Grace Period.** Failure of the Borrower to observe or perform any covenant or agreement contained in the Project Agreement or in Sections 5.01.A, 5.01.B, 5.01.D, 5.01.E, 5.01.G, 5.01.I, 5.01.N, 5.01.O and 5.02 of this Agreement.

**(ii) Thirty Day Grace Period.** Failure of the Borrower to observe or perform any other covenant or agreement contained in this Agreement or any of the other Loan Documents, which shall remain unremedied for thirty (30) calendar days after written notice thereof shall have been given to the Borrower by CFC.

**D. Legal Existence, Permits and Licenses.** The Borrower shall forfeit or otherwise be deprived of (i) its authority to conduct business in the jurisdiction in which it is organized or in any other jurisdiction where such authority is required in order for the Borrower to conduct its business in such jurisdiction or (ii) permits, easements, consents or licenses required to carry on any material portion of its business.

**E. Other CFC Obligations.** The Borrower shall be in breach or default of any Obligation, which breach or default continues uncured beyond the expiration of any applicable grace period.

**F. Other Obligations.** The Borrower shall (i) fail to make any payment of any principal, premium or any other amount due or interest on any indebtedness with parties other than CFC which shall remain unpaid beyond the expiration of any applicable grace period, or (ii) be in breach or default with respect to any other term of any evidence of any other indebtedness with parties other than CFC or of any loan agreement, mortgage or other agreement relating thereto which breach or default continues uncured beyond the expiration of any applicable grace period, if the effect of such failure, default or breach is to cause the holder or holders of that indebtedness to cause that indebtedness to become or be declared due prior to its stated maturity (upon the giving or receiving of notice, lapse of time, both or otherwise).

**G. Involuntary Bankruptcy.** An involuntary case or other proceeding shall be commenced against the Borrower seeking liquidation, reorganization or other relief with respect to it or its debts under bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property and such involuntary case or other proceeding shall continue without dismissal or

stay for a period of sixty (60) days; or an order for relief shall be entered against the Borrower under the federal bankruptcy laws or applicable state law as now or hereafter in effect.

**H. Insolvency.** The Borrower shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall admit in writing its inability to, or be generally unable to, pay its debts as they become due, or shall take any action to authorize any of the foregoing.

**I. Dissolution or Liquidation.** Other than as provided in subsection H. above, the dissolution or liquidation of the Borrower, or failure by the Borrower promptly to forestall or remove any execution, garnishment or attachment of such consequence as will impair its ability to continue its business or fulfill its obligations and such execution, garnishment or attachment shall not be vacated within sixty (60) days. The term "dissolution or liquidation of the Borrower", as used in this subsection, shall not be construed to include the cessation of the corporate existence of the Borrower resulting either from a merger or consolidation of the Borrower into or with another corporation following a transfer of all or substantially all its assets as an entirety, under the conditions set forth in Section 5.02.A.

**J. Material Adverse Change.** Any material adverse change in the business or condition, financial or otherwise, of the Borrower.

**K. Monetary Judgment.** The Borrower shall suffer any money judgment not covered by insurance, writ or warrant of attachment or similar process involving an amount in excess of $100,000 and shall not discharge, vacate, bond or stay the same within a period of sixty (60) days.

**L. Nonmonetary Judgment.** One or more nonmonetary judgments or orders (including, without limitation, injunctions, writs or warrants of attachment, garnishment, execution, distraint, replevin or similar process) shall be rendered against the Borrower that, either individually or in the aggregate, could reasonably be expected to have a material adverse effect upon the business, operations, prospects, assets, liabilities or financial condition of the Borrower.

## ARTICLE VII

## REMEDIES

**Section 7.01** If any of the Events of Default listed in Section 6 hereof shall occur after the date of this Agreement and shall not have been remedied within the applicable grace periods specified therein, then CFC may:

(i) Cease making Advances hereunder;

(ii) Declare all unpaid principal outstanding on the Note, all accrued and unpaid interest thereon, and all other Obligations to be immediately due and payable and the same shall thereupon become immediately due and payable without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived;

(iii) Exercise rights of setoff or recoupment and apply any and all amounts held, or hereby held, by CFC or owed to the Borrower or for the credit or account of the Borrower against any and all of the Obligations of the Borrower now or hereafter existing hereunder or under the Note, including, but not limited to, patronage capital allocations and retirements, money due to Borrower from equity certificates purchased from CFC, and any membership or other fees that would otherwise be returned to Borrower but excluding any LCTCs purchased by the Borrower pursuant to this Agreement. The rights of CFC under this section are in addition to any other rights and remedies (including other rights of setoff or recoupment) which CFC may have. The Borrower waives all rights of setoff, deduction, recoupment or counterclaim;

(iv) Pursue all rights and remedies available to CFC that are contemplated by the Mortgage and the other Loan Documents in the manner, upon the conditions, and with the effect provided in the Mortgage and the other Loan Documents, including, but not limited to, a suit for specific performance, injunctive relief or damages;

(v) Pursue any other rights and remedies available to CFC at law or in equity.

Nothing herein shall limit the right of CFC to pursue all rights and remedies available to a creditor following the occurrence of an Event of Default. Each right, power and remedy of CFC shall be cumulative and concurrent, and recourse to one or more rights or remedies shall not constitute a waiver of any other right, power or remedy.

## ARTICLE VIII

## MISCELLANEOUS

**Section 8.01 Notices.** All notices, requests and other communications provided for herein including, without limitation, any modifications of, or waivers, requests or consents under, this Agreement shall be given or made in writing (including, without limitation, by telecopy) and delivered to the intended recipient at the "Address for Notices" specified below; or, as to any party, at such other address as shall be designated by such party in a notice to each other party. All such communications shall be deemed to have been duly given (i) when personally delivered including, without limitation, by overnight mail or courier service, (ii) in the case of notice by United States mail, certified or registered, postage prepaid, return receipt requested, upon receipt thereof, or (iii) in the case of notice by telecopy, upon transmission thereof, provided such transmission is promptly confirmed by either of the methods set forth in clauses (i) or (ii) above in each case given or addressed as provided for herein. The Address for Notices of each of the respective parties is as follows:

National Rural Utilities Cooperative Finance Corporation
2201 Cooperative Way
Herndon, Virginia 20171-3025
Attention: Senior Vice President – Member Services
Fax # 703-709-6776

The Borrower:

The address set forth in
Schedule 1 hereto

**Section 8.02 Expenses.** Borrower shall reimburse CFC for any reasonable costs and out-of-pocket expenses paid or incurred by CFC (including, without limitation, reasonable fees and expenses of outside attorneys, paralegals and consultants) for all actions CFC takes, (a) to enforce the payment of any Obligation, to effect collection of any Mortgaged Property, or in preparation for such enforcement or collection, (b) to institute, maintain, preserve, enforce and foreclose on CFC's security interest in or Lien on any of the Mortgaged Property, whether through judicial proceedings or otherwise, (c) to restructure any of the Obligations, (d) to review, approve or grant any consents or waivers hereunder, (e) to prepare, negotiate, execute, deliver, review, amend or modify this Agreement, (f) to prepare, negotiate, execute, deliver, review, amend or modify any other agreements, documents and instruments deemed necessary or appropriate by CFC in connection with any of the foregoing, and (g) to obtain any opinions required to be furnished upon a Determination of Tax Credit Ineligibility and an extraordinary prepayment as set forth in Section 3.04 hereof or a rescission of excess money as set forth in Section 3.05 or a cancellation of excess moneys as set forth in Section 3.06.

The amount of all such expenses identified in this Section 8.02 shall be secured by the Mortgage and shall be payable upon demand, and if not paid, shall accrue interest at the Default Rate.

**Section 8.03 Late Payments.** If payment of any amount due hereunder is not received at CFC's office in Herndon, Virginia, or such other location as CFC may designate to the Borrower within five (5) Business Days after the due date thereof, the Borrower will pay to CFC, in addition to all other amounts due under the terms of the Loan Documents, any late payment charge as may be fixed by CFC from time to time pursuant to its policies of general application as in effect from time to time.

**Section 8.04. Non-Business Day Payments.** If any payment to be made by the Borrower hereunder shall become due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall be included in computing any interest in respect of such payment.

**Section 8.05 Filing Fees.** To the extent permitted by law, the Borrower agrees to pay all expenses of CFC (including the reasonable fees and expenses of its counsel) in connection with the filing, registration, recordation or perfection of the Mortgage and any other security instruments as may be required by CFC in connection with this Agreement, including, without limitation, all documentary stamps, recordation and transfer taxes and other costs and taxes incident to execution, filing, registration or recordation of any document or instrument in connection herewith. The Borrower agrees to save harmless and indemnify CFC from and against any liability resulting from the failure to pay any required documentary stamps, recordation and transfer taxes, recording costs, or any other expenses incurred by CFC in connection with this Agreement. The provisions of this subsection shall survive the execution and delivery of this Agreement and the payment of all other amounts due under the Loan Documents.

**Section 8.06 Waiver; Modification.** No failure on the part of CFC to exercise, and no delay in exercising, any right or power hereunder or under the other Loan Documents shall operate as a waiver thereof, nor shall any single or partial exercise by CFC of any right hereunder, or any abandonment or discontinuance of steps to enforce such right or power, preclude any other or further exercise thereof or the exercise of any other right or power. No modification or waiver of any provision of this Agreement, the Note or the other Loan Documents and no consent to any departure by the Borrower therefrom shall in any event be effective unless the same shall be in writing by the

party granting such modification, waiver or consent, and then such modification, waiver or consent shall be effective only in the specific instance and for the purpose for which given.

**SECTION 8.07 GOVERNING LAW; SUBMISSION TO JURISDICTION; WAIVER OF JURY TRIAL.**

(A) THE PERFORMANCE AND CONSTRUCTION OF THIS AGREEMENT AND THE NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE COMMONWEALTH OF VIRGINIA.

(B) THE BORROWER HEREBY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF THE UNITED STATES COURTS LOCATED IN VIRGINIA AND OF ANY STATE COURT SO LOCATED FOR PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. THE BORROWER IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTIONS THAT IT MAY NOW OR HEREAFTER HAVE TO THE ESTABLISHING OF THE VENUE OF ANY SUCH PROCEEDINGS BROUGHT IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

(C) THE BORROWER AND CFC EACH HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

**SECTION 8.08 INDEMNIFICATION.** THE BORROWER HEREBY INDEMNIFIES AND AGREES TO HOLD HARMLESS, AND DEFEND CFC AND ITS MEMBERS, DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, ATTORNEYS AND REPRESENTATIVES (EACH AN "INDEMNITEE") FOR, FROM, AND AGAINST ALL CLAIMS, DAMAGES, LOSSES, LIABILITIES, COSTS, AND EXPENSES (INCLUDING, WITHOUT LIMITATION, COSTS AND EXPENSES OF LITIGATION AND REASONABLE ATTORNEYS' FEES) ARISING FROM ANY CLAIM OR DEMAND IN RESPECT OF THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS, THE MORTGAGED PROPERTY, OR THE TRANSACTIONS DESCRIBED IN THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS AND ARISING AT ANY TIME, WHETHER BEFORE OR AFTER PAYMENT AND PERFORMANCE OF ALL OBLIGATIONS UNDER THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS IN FULL, EXCEPTING ANY SUCH MATTERS ARISING SOLELY FROM THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF CFC OR ANY INDEMNITEE INCLUDING WITHOUT LIMITATION ANY DETERMINATION MADE OR OTHER ACTION TAKEN BY CFC PURSUANT TO SECTIONS 3.04, 3.05 and 3.06 OF THIS AGREEMENT. NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN SECTION 8.10 HEREOF, THE OBLIGATIONS IMPOSED UPON THE BORROWER BY THIS SECTION SHALL SURVIVE THE REPAYMENT OF THE NOTE, THE TERMINATION OF THIS AGREEMENT AND THE TERMINATION OR RELEASE OF THE LIEN OF THE MORTGAGE.

**Section 8.09 Complete Agreement.** This Agreement, together with the schedules to this Agreement, the Note and the other Loan Documents, and the other agreements and matters referred to herein or by their terms referring hereto, is intended by the parties as a final expression of their agreement and is intended as a complete statement of the terms and conditions of their agreement. In the event of any conflict in the terms and provisions of this Agreement and any other Loan Documents, the terms and provisions of this Agreement shall control.

**Section 8.10 Survival; Successors and Assigns.** All covenants, agreements, representations and warranties of the Borrower which are contained in this Agreement shall survive the execution and delivery to CFC of the Loan Documents and the making of the Loan hereunder and shall continue in full force and effect until all of the obligations under the Loan Documents have been paid in full. All covenants, agreements, representations and warranties of the Borrower which are contained in this Agreement shall inure to the benefit of the successors and assigns of CFC. The Borrower shall not have the right to assign its rights or obligations under this Agreement without the prior written consent of CFC, except as provided in Section 5.02.A hereof.

**Section 8.11 Use of Terms.** The use of the singular herein shall also refer to the plural, and vice versa.

**Section 8.12 Headings.** The headings and sub-headings contained in this Agreement are intended to be used for convenience only and do not constitute part of this Agreement.

**Section 8.13 Severability.** If any term, provision or condition, or any part thereof, of this Agreement, the Note or the other Loan Documents shall for any reason be found or held invalid or unenforceable by any governmental agency or court of competent jurisdiction, such invalidity or unenforceability shall not affect the remainder of such term, provision or condition nor any other term, provision or condition, and this Agreement, the Note and the other Loan Documents shall survive and be construed as if such invalid or unenforceable term, provision or condition had not been contained therein.

**Section 8.14 Binding Effect.** This Agreement shall become effective when it shall have been executed by both the Borrower and CFC and thereafter shall be binding upon and inure to the benefit of the Borrower and CFC and their respective successors and assigns.

**Section 8.15 Counterparts.** This Agreement may be executed in one or more counterparts, each of which will be deemed an original and all of which together will constitute one and the same document. Signature pages may be detached from the counterparts and attached to a single copy of this Agreement to physically form one document.

**Section 8.16 Disclosure.** This Agreement and any other Loan Document may be shared by CFC with such Persons as shall be required in order to facilitate the issuance of the CREBs, including, but not limited to, its attorneys, underwriters and investors in the CREBs.

**Section 8.17 Schedule 1.** Schedule 1 attached hereto is an integral part of this Agreement.

**IN WITNESS WHEREOF,** the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

SULPHUR SPRINGS VALLEY
ELECTRIC COOPERATIVE, INC.

(SEAL)

By: Lana Manning

Title: President

Attest: _____
~~Secretary~~
CREDEN W. HUBER
CHIEF EXECUTIVE OFFICER

NATIONAL RURAL UTILITIES
COOPERATIVE FINANCE CORPORATION

(SEAL)

By: Marianne Dasold
Assistant Secretary-Treasurer
**MARIANNE L DUSOLD**

Attest: _____
Assistant Secretary-Treasurer
**CRAIG COLANTONI**

## SCHEDULE 1

1. The purpose of this loan is to finance (i) the reimbursement of the cost of the Project of the Borrower, including any reasonable costs and expenses incurred by the Borrower in connection with financing the Project, as described and permitted by the terms of the Project Agreement and (ii) a portion of CFC's costs in issuing the CREBs as set forth in Section 3.02.A.

2. The Project of the Borrower being financed by the Loan (funded by proceeds of the CREBs) constitutes the following clean renewable energy facilities:

   Patagonia School District Photovoltaic Solar Automobile Parking Shade Structure

   This project will place photovoltaic modules costing $280,000 each, that will produce 23 kW of electricity in the shade structures in the three Patagonia School District schools. The PV structure will provide electricity to the respective school with excess power flowing to the Borrower's system.

3. Subject to the terms of this Agreement, CFC has agreed to loan to the Borrower from proceeds of the CREBs, an amount not to exceed $840,000.00 (the "CFC Commitment").

4. Draw Period shall mean the period beginning on the Closing Date and ending on the date that is five (5) years thereafter.

5. The Borrower shall not purchase the LCTCs or any portion thereof with funds from the Loan. The Borrower shall use its own funds or funds borrowed under another credit facility to purchase such LCTCs, subject to the CFC policies regarding LCTCs set forth in the following paragraph.

   **CFC Policies Regarding LCTCs:** (i) Any solvent Member of CFC with an outstanding LCTC purchased in connection with a loan from the proceeds of Securities may borrow the outstanding amount of the LCTC from CFC without a further credit review, for a term equal to or shorter than the maturity of the LCTC at a rate equal to the comparable rate charged by CFC for similarly classified loans; and (ii) any Member of CFC with an outstanding LCTC purchased in connection with a loan from the proceeds of Securities may sell such LCTC to another Member of CFC for consideration.

6. The Mortgage shall mean the Restated Mortgage and Security Agreement, dated as of December 6, 2007, between the Borrower and CFC, as it may have been supplemented, amended, consolidated, or restated from time to time.

7. The Note executed pursuant hereto is as follows:

| LOAN NUMBER | AMOUNT |
|---|---|
| AZ014-A-9043-CB001 | $840,000.00 |

8. The Subsidiaries of the Borrower referred to in Section 2.01.B. are: None

9. The date of the Borrower's balance sheet referred to in Section 2.01.H is June 30, 2006.

10. The Borrower's exact legal name is: Sulphur Springs Valley Electric Cooperative, Inc.

11. The Borrower's organizational type is: Corporation

12. The Borrower is organized under the laws of the state of: Arizona

13. The Borrower's organizational identification number is: 0038220-2

14. The place of business or, if more than one, the chief executive office of the Borrower referred to in Section 2.01.I is 311 East Wilcox, Sierra Vista, Arizona 85635.

15. The Governmental Authority referred to in Section 2.01.J. is: Arizona Corporation Commission

16. The address for notices to the Borrower referred to in Section 8.01 is 311 East Wilcox, Sierra Vista, Arizona 85635, Attention: General Manager, Fax: (520) 384-5223.

## Exhibit A - Funds Requisition Statement

Borrower Name & ID: Sulphur Springs Valley Electric Cooperative, Inc. (AZ014)
Loan Number: AZ014-A-9043-CB001
Loan Agreement and Project Agreement with CFC dated:
CREBs Series: 2008A
CFC CREBs Application #: 13
Name of Project: Patagonia School District Photovoltaic Solar Automobile Parking Shade Structure
Funds Requisition Statement No.:

**Amount Requested:**
**Date Of Advance:**

**Disposition of Funds (wiring instructions):**

### Certification

Acting on behalf of the Borrower, I hereby certify that as of the date below: (1) I am duly authorized to make this certification and to request funds on the terms specified herein; (2) the Borrower has met all of the conditions contained in the Loan Agreement and the Project Agreement listed above governing the terms of this Advance that the Borrower is required to meet prior to an Advance of funds; (3) all of the representations and warranties contained in said Loan Agreement and Project Agreement are true and will continue to be true upon use of the funds as hereby requested; (4) no Event of Default, under the Loan Agreement or the Borrower's Mortgage, has occurred and is continuing; (5) I know of no other event that has occurred which, with the lapse of time and/or notification to CFC of such event, or after giving effect to this Advance, would become an Event of Default under the Loan Agreement or the Borrower's Mortgage; (6) the funds requested herein will be used only as a reimbursement for the purposes specified in the Loan Agreement and the Project Agreement; (7) the costs to be reimbursed by the funds requested herein are capital expenditures and have not previously been reimbursed under a previous Funds Requisition Statement; (8) the Borrower has secured sufficient funds to complete the Project; (9) any necessary permits and approvals required for the Project at this point have been obtained; (10) the Borrower is maintaining a file containing true and correct copies of invoices or bills of sale covering all items for which payment is sought by this request; (11) such costs have been incurred and paid by the Borrower in connection with the Project; (12) the Borrower is not using the funds requested hereby to make any payments of principal or interest due under the Loan Agreement; (13) no expenditure which is being reimbursed by the funds requested hereby was paid more than eighteen months after the later of (i) the date the expenditure is paid or (ii) the date the Project is placed in service, but in no event later than three years after the date the original expenditure was paid; and (14) set forth below is a table listing all of the major components of the Project, how much is being requested in this Funds Requisition Statement as an advance for certain components, how much has been advanced on each component to date, the percentage of each component that is completed

to date, and the purpose of the advance(s) being requested by this Funds Requisition Statement.

I hereby authorize CFC, for and on behalf of the Borrower, to forward this Funds Requisition Statement to the Trustee for disbursement of the Advance from the Project Account relating to the above Loan to the Borrower on the following terms, and hereby acknowledge and agree that such terms shall be binding upon Borrower under the provisions of the Loan Agreement governing this Advance:

| Project Component | Amount Expended to Date by Borrower | Amount Advanced to Date | Advance Amount Requested Herein | Percentage Complete |
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| Total | | | | |

Certified By:

_____ _____ _____

Signature Date Title of Authorized Officer

**PLEASE FAX TO 703-709-6776 ATTN: _____, Associate Vice President**

APPROVED:

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION

By: _____
Title: _____
Date: _____

**EXHIBIT B**

**BRING-DOWN CERTIFICATE OF BORROWER**

The undersigned, _____, duly qualified officers of SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (the *"Borrower"*), an Arizona corporation, hereby certify as follows:

1. The following documents have been duly executed, and delivered or accepted in the name and on behalf of the Borrower by the authorized officer or officers of the Borrower pursuant to, and in full compliance with, authority granted by the Board of Trustees/Directors of the Borrower:

| DOCUMENT | DATE | OTHER PARTY OR PARTIES |
|---|---|---|
| Loan Agreement (the *"Agreement"*) | _____, 200_ | National Rural Utilities Cooperative Finance Corporation (*"CFC"*) |
| Project Agreement (the *"Project Agreement"*) | _____, 200_ | |
| Note (the *"Note"*) | _____, 200_ | |

2. Each of the representations and warranties of the Borrower in the Loan Agreement and the Project Agreement are true and correct on and as of the date hereof (the *"Closing Date"*), and the Borrower has complied with all agreements and satisfied all conditions on its part to be observed or satisfied thereunder at or prior to the Closing Date.

IN WITNESS WHEREOF, the undersigned have hereunto set their signatures this ____ day of _____, 2008.

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

By _____
Title:

By _____
Title:

**EXHIBIT C**

**COMPLETION CERTIFICATE**
**OF**
**BORROWER**

Pursuant to the Loan Agreement dated as of _____ by and between SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (the "Borrower") and National Rural Utilities Cooperative Finance Corporation ("CFC") relating to CFC Loan Number AZ014-A-9043-CB001 (the "Loan Agreement"), the undersigned, _____, duly qualified officer of the Borrower, hereby certifies as follows:

(i) On [date of completion] all portions of the Project (as defined in the Loan Agreement) have been fully completed substantially in accordance with any plans and specifications therefore, as then amended; and

(ii) Amount advanced on the Loan (as defined in the Loan Agreement) and the use of the property financed, refinanced or reimbursed therefrom will not cause any of the representations or certifications contained in the Project Agreement (as defined in the Loan Agreement) to be untrue or result in a violation of any covenant in the Project Agreement.

IN WITNESS WHEREOF, the undersigned have hereunto set his/her signature this ____ day of _____, 20____.

SULPHUR SPRINGS VALLEY ELECTRIC
COOPERATIVE, INC.

By _____
Title:

**EXHIBIT D**

**TERMINATION CERTIFICATE**
**OF**
**BORROWER**

Pursuant to the Loan Agreement dated as of _____ by and between SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (the "Borrower") and National Rural Utilities Cooperative Finance Corporation ("CFC") relating to CFC Loan Number AZ014-A-9043-CB001 (the "Loan Agreement"), the undersigned, _____, duly qualified officer of the Borrower, hereby certifies as follows:

(i) all portions of the Project (as defined in the Loan Agreement) have not been fully completed substantially in accordance with any plans and specifications therefor, as then amended;

(ii) no further acquisition, construction or installation will occur with respect to the Project (as defined in the Loan Agreement); and

(iii) the Borrower does not intend to request any further Advances (as defined in the Loan Agreement) on the Loan (as defined in the Loan Agreement).

IN WITNESS WHEREOF, the undersigned have hereunto set his/her signature this ____ day of _____, 20____.

SULPHUR SPRINGS VALLEY ELECTRIC
COOPERATIVE, INC.

By _____
Title:

**SECURED PROMISSORY NOTE**

$560,000.00 dated as of 12/21/2007

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC., an Arizona corporation (the "Borrower"), for value received, hereby promises to pay, without setoff, deduction, recoupment or counterclaim, to the order of NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION (the "Payee"), at its office in Herndon, Virginia office or such other location at its office in Herndon, Virginia or such other location as the Payee may designate to the Borrower, in lawful money of the United States, the principal sum of FIVE HUNDRED SIXTY THOUSAND AND 00/100 DOLLARS ($560,000.00), or such lesser sum of the aggregate unpaid principal amount of all advances made by the Payee pursuant to that certain Loan Agreement dated as of even date herewith between the Borrower and the Payee, as it may be amended from time to time (herein called the "Loan Agreement"), and to pay interest on all amounts remaining unpaid hereunder from the date of each advance in like money, at said office, at the rate and in amounts and payable on the dates provided in the Loan Agreement together with any other amount payable under the Loan Agreement. If not sooner paid, any balance of the principal amount and interest accrued thereon shall be due and payable on the Maturity Date.

This Note is secured under a Restated Mortgage and Security Agreement, dated of December 6, 2007 between the Borrower and the Payee, as it may have been or shall be supplemented, amended, consolidated or restated from time to time ("Mortgage"). This Note is one of the Notes referred to in, and has been executed and delivered pursuant to, the Loan Agreement.

The principal hereof and interest accrued thereon and any other amount due under the Loan Agreement may be declared to be forthwith due and payable in the manner, upon the conditions, and with the effect provided in the Mortgage or the Loan Agreement.

The Borrower waives demand, presentment for payment, notice of dishonor, protest, notice of protest, and notice of non-payment of this Note.

IN WITNESS WHEREOF the Borrower has caused this Note to be signed in its corporate name and its corporate seal to be hereunto affixed and to be attested by its duly authorized officers, all as of the day and year first above written.

SULPHUR SPRINGS VALLEY
ELECTRIC COOPERATIVE, INC.

(SEAL)

By: Gene Manning

Title: President

Attest: _____
~~Secretary~~

CREDEN W. HUBER
CHIEF EXECUTIVE OFFICER

Loan No. AZ014-A-9044-CB001

**PROJECT AGREEMENT**

**OF**

**SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (THE *"BORROWER"*)**

DATED: as of 12/21/07

The undersigned is a duly qualified officer of the Borrower named above and, as such officer, is familiar with (i) the properties, affairs and records of the Borrower, (ii) the issuance of the Securities (as hereinafter defined) and the use of the proceeds thereof as it relates to the Borrower and (iii) the Project, as hereinafter defined.

In connection with the issuance of the Clean Renewable Energy Bonds (Cooperative Renewable Energy Projects) Series 2008A (the *"Securities"*), being issued by the National Rural Utilities Cooperative Finance Corporation (the *"Issuer"*), the undersigned hereby certifies and covenants regarding the use of the proceeds of the Securities advanced to the Borrower, as follows:

1. General.

1.1 This Project Agreement is made pursuant to Section 54 of the Internal Revenue Code of 1986, as amended (the *"Code"*), and any United States Treasury regulations and other guidance thereunder to make the certifications required by Section 54 of the Code and any United Stares Treasury regulations and other guidance thereunder and to establish the reasonable expectations of the Borrower with respect to the amount and use of amounts to be advanced to the Borrower pursuant to the Loan Agreement dated as of even date herewith between the Issuer and the Borrower (the *"Loan Agreement"*). Capitalized terms used herein are defined where they first appear or are defined in *Exhibit A* attached hereto.

1.2 This Project Agreement is based on facts and estimates in existence on the date hereof and the continued veracity of these facts and estimates as of the date that the Securities are issued (the *"Closing"*) will be confirmed by the Borrower on the date of Closing, and on the basis of such facts and estimates, the Borrower expects that the events described herein will occur. To the best of the undersigned's knowledge, information, and belief, the expectations contained in this Project Agreement are reasonable.

1.3 The Borrower is a Qualified Borrower, as defined in *Exhibit A,* and is responsible for the acquiring/constructing/equipping of the Project (defined below). The undersigned has reviewed this Project Agreement, as well as the provisions of Section 54 of the Code and any United States Treasury regulations and other guidance thereunder, with its own legal counsel and understands and is familiar with this Project Agreement and the provisions of Section 54 and any United States Treasury regulations and other guidance thereunder. The Borrower will

comply in all respects with the provisions of Section 54 and any United States Treasury regulations and other guidance thereunder.

1.4 The Borrower agrees to keep and retain or cause to be kept and retained sufficient records to demonstrate compliance with the covenants in this Project Agreement. Such records shall include, but are not limited to, basic records relating to the issuance of the Securities (including this Project Agreement and the inducement resolution as described in Section 3.3 hereof); documentation evidencing the expenditure of amounts advanced to the Borrower pursuant to the Loan Agreement; documentation evidencing the use of property financed with amounts advanced to the Borrower pursuant to the Loan Agreement; and documentation evidencing all sources of payment or security maintained by the Borrower for amounts advanced to the Borrower pursuant to the Loan Agreement. Such records shall be kept until the date three (3) years after the CREB Maturity Date.

1.5 Neither the Borrower nor any Related Person (as defined in Exhibit A) to the Borrower will purchase any Securities.

2. Qualified Project.

2.1 The Loan Agreement requires the amounts advanced thereunder to be used for facilities to be owned by the Borrower, described in more detail in Section 2.2 hereof and in *Exhibit B* attached hereto as the "Updated Description of the Project" (the *"Project"*). The Project was originally described in an exhibit to the Application for National Clean Renewable Energy Bond Limitation submitted to the Internal Revenue Service by the Issuer in support of the national clean renewable energy bond allocation received by the Issuer, which "Original Description of the Project" is attached hereto as *Exhibit C*.

2.2 The Project is a Solar Energy Facility (the *"Qualifying Facility"*), as defined in *Exhibit A* and property functionally related and subordinate thereto, as further described in *Exhibit B,* attached hereto.

3. Clean Renewable Energy Bonds Qualification.

3.1 At least 95 percent of the proceeds advanced to the Borrower pursuant to the Loan Agreement will be used by the Borrower for capital expenditures with respect to the Project. None of the proceeds of the Loan (as defined in the Loan Agreement) will be paid to the Issuer, the Borrower or any Related Person to the Issuer or the Borrower, except for amounts paid to the Borrower to reimburse the Borrower for actual and direct expenditures relating to the Project paid by the Borrower to persons other than the Issuer, the Borrower or any Related Person to the Issuer or the Borrower.

3.2 The Borrower has incurred or will, within six months of the Closing Date, incur a substantial binding obligation (not subject to contingencies within the control of the Issuer, the Borrower or any Related Person to either of them) to a third party

to expend at least ten percent of the Loan Amount (*i.e.* the total amount to be advanced to the Borrower pursuant to the Loan Agreement). It is expected that the work of acquiring/constructing/equipping the Project and the expenditure of the Loan Amount will proceed with due diligence through October 20, 2008, at which time it is anticipated that the Loan Amount will have been spent in its entirety. The Borrower acknowledges that, to the extent that less than 95 percent of the Loan Amount is expended by a date five years from the date of issuance of the Securities, the Borrower will be required to prepay its Loan in an amount, and the Issuer will redeem Securities at the end of such five-year period in an amount, necessary to maintain the tax credit with respect to the Securities, unless otherwise permitted by Section 6.5 hereof.

It is expected that all amounts advanced to the Borrower under the Loan Agreement will be spent to pay costs of the Project in accordance with the estimated periodic drawdown schedule contained in *Exhibit D,* attached hereto. The assumptions set forth in this Section 3.2 and on *Exhibit D,* attached hereto, represent the Borrower's best estimate, as of this date, of the periodic drawdown schedule of the Loan Amount.

3.3 The Borrower may use amounts advanced to the Borrower under the Loan Agreement to reimburse itself for expenditures paid prior to the date of issuance of the Securities. The Borrower shall reimburse itself for expenditures paid prior to the date of issuance of the Securities only if such expenditure was paid after the Borrower adopted an inducement resolution, and the expenditure is described in such inducement resolution.

**The Borrower shall use proceeds of the Loan to reimburse itself for expenditures paid prior to the date the Securities were issued only if such reimbursement is made within eighteen months after the later of (i) the date the expenditure is paid or (ii) the date the Project is placed in service, but in no event later than three years after the date the original expenditure was paid.**

Except for any reimbursement allowed under this Section 3.3, no portion of the proceeds advanced to the Borrower will be used to pay for expenditures relating to acquiring existing facilities (as contrasted with costs of enhancements, repair or rehabilitation of existing facilities).

3.4 Neither the Project nor any portion thereof has been, is expected to be, or will be sold or otherwise disposed of, in whole or in part, prior to the last maturity date of the Securities.

3.5 The Borrower has entered into the Loan Agreement of even date hereof under which it is committed to borrow $560,000 from the Issuer of the Securities and the Borrower reasonably expects to borrow and expend the full amount of such commitment.

3.6 At least 75% of the Loan Amount is expected to be used for Construction Purposes.

3.7 The Borrower will not use proceeds of the Loan (i) to pre-pay for goods or services to be received over a period of years prior to the date such goods or services are to be received, or (ii) to pay for or otherwise acquire goods or services from an Affiliated Person, as defined in *Exhibit A*.

3.8 The Borrower shall at all times be a Qualified Borrower.

4. Remedial Action.

4.1 The Borrower agrees to operate the Project as a Qualifying Facility.

The Borrower acknowledges that if property financed with proceeds of the Securities advanced to the Borrower is operated in a manner other than as a Qualifying Facility such operation may constitute a "deliberate action" that may require remedial actions to prevent the tax credit being produced by the Securities from being disallowed.

The Borrower shall promptly contact the Issuer as provided in Section 6.3 hereof if it considers operating property financed with proceeds of the Loan other than as a Qualifying Facility.

4.2 The Borrower acknowledges that if property financed with proceeds of the Loan is sold or otherwise disposed of in a manner contrary to the provisions of Section 3.4 hereof, such sale or disposition may constitute a "deliberate action" that may require remedial actions to prevent the tax credit being produced by the Securities from being disallowed. If the Borrower considers the sale or other disposition of property financed with proceeds of the Loan, it shall promptly contact the Issuer, in the manner set forth in Section 6.3 hereof.

5. Funds and Accounts; Investments.

5.1 After the issuance of the Securities, neither the Borrower nor any Related Person to the Borrower has or will have any property, including cash, securities or any other property held as a passive vehicle for the production of income or for investment purposes, that constitutes:

(i) amounts that have a sufficiently direct nexus to the Securities or to the governmental purpose of the Securities to conclude that the amounts would have been used for that governmental purpose if the Securities were not used or to be used for that governmental purpose (the mere availability or preliminary earmarking of such amounts for a governmental purpose, however, does not itself establish such a sufficient nexus);

(ii) amounts in a debt service fund, redemption fund, reserve fund, replacement fund or any similar fund to the extent reasonably expected to be used directly or indirectly to pay principal of or interest on the Securities or any amounts for which there is provided, directly or indirectly, a reasonable assurance that the amount will be available to pay principal of or interest on the Securities or any credit enhancement or liquidity device with respect to the Securities, even if the Issuer, the Borrower or any Related Person to either of them encounter financial difficulties; or

(iii) any amounts held pursuant to any agreement (such as an agreement to maintain certain levels of types of assets) made for the benefit of the holders of the Securities or any credit enhancement provider, including any liquidity device or negative pledge (*e.g.,* any amount pledged to pay principal of or interest on an issue held under an agreement to maintain the amount at a particular level for the direct or indirect benefit of holders of the Securities or a guarantor of the Securities).

No compensating balance, liquidity account, negative pledge of property held for investment purposes required to be maintained at least at a particular level or similar arrangement exists with respect to, in any way, the Securities or any credit enhancement or liquidity device related to the Securities.

5.2 During the acquiring/constructing/equipping of the Project, the Borrower will only draw down amounts from the Issuer for capital expenditures already paid by the Borrower.

5.3 Neither the Borrower nor any Related Person to the Borrower will enter into any hedge (*e.g.,* an interest rate swap, interest rate cap, futures contract, forward contract or an option) with respect to the Loan or the Securities.

5.4 All property subject to the Mortgage is and will be used by the Borrower in the conduct of its trade or business. The Borrower reasonably expects to repay the Loan from current operating revenues. The Mortgage does not require that cash, securities, obligations, annuity contracts or other property held principally as a passive vehicle for the production of income be maintained, individually or collectively, at any particular level.

6. Miscellaneous.

6.1 This Project Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia.

6.2 Prior to the date 15 days before the Securities were sold, neither the Borrower nor any Related Person to the Borrower has sold or delivered any obligations that are reasonably expected to be paid out of substantially the same source of funds as the Securities. Neither the Borrower nor any Related Person to the Borrower will sell

or deliver within 15 days after the date hereof any obligations that are reasonably expected to be paid out of substantially the same source of funds as the Securities.

6.3 All notices provided for herein shall be given or made in writing (including, without limitation, by telecopy) and delivered to the Issuer at the "Address for Notices" specified below. All such communications shall be deemed to have been duly given (i) when personally delivered including, without limitation, by overnight mail or courier service, (ii) in the case of notice by United States mail, certified or registered, postage prepaid, return receipt requested, upon receipt thereof, or (iii) in the case of notice by telecopy, upon transmission thereof, provided such transmission is promptly confirmed by either of the methods set forth in clauses (i) or (ii) above in each case given or addressed as provided for herein. The Address for Notices of the Issuer is as follows:

National Rural Utilities Cooperative Finance Corporation
2201 Cooperative Way
Herndon, Virginia 20171-3025
Attention: Senior Vice President – Member Services
Fax #703-709-6776

6.4 The Borrower represents that it has not been contacted by the Internal Revenue Service or any issuer of bonds, the proceeds of which were loaned to the Borrower regarding any examination of any tax exempt bonds issued for the benefit of the Borrower. To the best of the knowledge of the Borrower, no such obligations of the Borrower are currently under examination by the Internal Revenue Service.

6.5 Any restriction or covenant contained herein need not be observed or may be changed if such nonobservance or change will not result in the loss of any tax credit under Section 54 of the Code for the purpose of federal income taxation to which the Securities is otherwise entitled and the Borrower receives an opinion of Bond Counsel to such effect and the Issuer agrees to such nonobservance or change.

6.6 If any clause, provision or section of this Project Agreement is ruled invalid by any court of competent jurisdiction, the invalidity of such clause, provision or section shall not affect any of the remaining clauses, sections or provisions hereof.

6.7 The terms, provisions, covenants and conditions of this Project Agreement shall bind and inure to the benefit of the respective successors and assigns of the Issuer and the Borrower.

6.8 This Project Agreement shall terminate on the date three (3) years after the CREB Maturity Date.

The undersigned acknowledge that this Project Agreement is given as a basis for an opinion of the law firm of Chapman and Cutler LLP, Chicago, Illinois, and such firm is hereby authorized to rely on this Project Agreement.

DATED as of the day and year first above written.

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

By Gene Manning

Title President

## EXHIBIT A

## DEFINITIONS

*"Affiliated Person"* means any Person that (a) at any time during the six months prior to the Closing Date, (i) has more than five percent of the voting power of the governing body of the Issuer or the Borrower in the aggregate vested in its directors, officers, owners, and employees or (ii) has more than five percent of the voting power of its governing body in the aggregate vested in directors, officers, board members, owners, members or employees of the Issuer or the Borrower or (b) during the one-year period beginning six months prior to the Closing Date, (i) the composition of the governing body of which is modified or established to reflect (directly or indirectly) representation of the interests of the Issuer or the Borrower (or for which an agreement, understanding, or arrangement relating to such a modification or establishment during that one-year period) or (ii) the composition of the governing body of the Issuer or the Borrower is modified or established to reflect (directly or indirectly) representation of the interests of such Person (or for which an agreement, understanding, or arrangement relating to such a modification or establishment during that one-year period).

*"Bond Counsel"* means Chapman and Cutler LLP or any other nationally recognized firm of attorneys experienced in the field of municipal obligations whose opinions are generally accepted by purchasers of municipal obligations.

*"Closing Date"* means the date the Issuer issues the Securities.

*"Code"* means the Internal Revenue Code of 1986, as amended.

*"Constructed Personal Property"* means tangible personal property (or, if acquired pursuant to a single acquisition contract, properties) or Specially Developed Computer Software if (i) a substantial portion of the property or properties is completed more than six (6) months after the earlier of the date construction or rehabilitation commenced and the date the Borrower entered into an acquisition contract; (ii) based on the reasonable expectations of the Borrower, if any, or representations of the person constructing the property, with the exercise of due diligence, completion of construction or rehabilitation (and delivery to the issuer) could not have occurred within that six-month period; and (iii) if the Borrower itself builds or rehabilitates the property, not more than 75 percent of the capitalizable cost is attributable to property acquired by the Borrower (*e.g.*, components, raw materials, and other supplies).

*"Construction Purposes"* means capital expenditures that are allocable to the cost of Real Property or Constructed Personal Property. Except as provided in the next succeeding sentence, construction expenditures do not include expenditures for acquisitions of interests in land or other existing real property. Expenditures are not for the acquisition of an interest in existing real property other than land if the contract between the seller and the Borrower requires the seller to build or install the property (*e.g.*, a *turnkey contract*), but only to the extent that the property has not been built or installed at the time the parties enter into the contract.

*"Control"* means the possession, directly or indirectly through others, of either of the following discretionary and non-ministerial rights or powers over another entity (i) to approve and to remove without cause a controlling portion of the governing body of a Controlled Entity, or (ii) to require the use of funds or assets of a Controlled Entity for any purpose.

*"Controlled Entity"* means any entity or one of a group of entities that is subject to Control by a Controlling Entity or group of Controlling Entities.

*"Controlled Group"* means a group of entities directly or indirectly subject to Control by the same entity or group of entities, including the entity that has the Control of the other entities.

*"Controlling Entity"* means any entity or one of a group of entities directly or indirectly having Control of any entities or group of entities.

*"CREB Maturity Date"* shall have the meaning ascribed to it in the Loan Agreement.

*"Governmental Body"* means any State, territory, possession of the United States, the District of Columbia, Indian tribal government, and any political subdivision thereof.

*"Mortgage"* means the mortgage and security agreement applicable to substantially all of the property of the Borrower.

*"Qualified Borrower"* means (i) a mutual or cooperative electric company described in Sections 501(c)(12) or 1381(a)(2)(C) of the Code, or (ii) a Governmental Body (as defined above).

*"Real Property"* means land and improvements to land, such as buildings or other inherently permanent structures, including interests in real property. For example, real property includes wiring in a building, plumbing systems, central heating or air-conditioning systems, pipes or ducts, elevators, escalators installed in a building, paved parking areas, roads, wharves and docks, bridges, and sewage lines.

*"Related Person"* means any member of the same Controlled Group as the Issuer or the Borrower and any person related to the Issuer or a Borrower within the meaning of Section 144(a)(3) of the Code.

*"Solar Energy Facility"* means a facility using solar energy to produce electricity.

*"Specially Developed Computer Software"* means any programs or routines used to cause a computer to perform a desired task or set of tasks, and the documentation required to describe and maintain those programs, provided that the software is specially developed and is functionally related and subordinate to real property or other constructed personal property.

*"Tangible Personal Property"* means any tangible property other than real property, including interests in tangible personal property. For example, tangible personal property

includes machinery that is not a structural component of a building, subway cars, fire trucks, automobiles, office equipment, testing equipment, and furnishings.

## EXHIBIT B

## UPDATED DESCRIPTION OF THE PROJECT

| | |
|---|---|
| CFC Application | No. 14 Sulphur Springs Valley EC, Inc. |
| Bond Proceeds Needed for Project: | $560,000 |
| Bond Allocation Requested and Received: | $560,000 |
| Name of Project | Pearce Elementary School District Photovoltaic Solar Automobile Parking Shade Structure |

Project Street Addresses

| | |
|---|---|
| Pearce Elementary School<br>1487 E. School Rd.<br>Pearce, AZ 85625<br>Phone<br>(520) 826-3328<br>Fax<br>(520) 826-3531 | Ash Creek Elementary School<br>6460 East Highway 181<br>Pearce, AZ 85625<br><br>(520) 824-3340<br><br>(520) 824-3410 |

| | |
|---|---|
| County | Cochise County |
| Individual Name to Contact | Jack Blair |
| Company Name | Sulphur Springs Valley Electric Cooperative, Inc. |
| Street Address | 311 E. Wilcox Drive |
| City, State, Zip | Sierra Vista, AZ 85635 |
| Telephone Number | (520) 515-3470 |
| Fax | (520) 458-3467 |

Updated Detailed Description of the Project:

A cantilevered shade structure at a school on the top of which will be constructed a 23kW solar photovoltaic system to supply power to the school. Excess power will flow on to the SSVEC system.

## EXHIBIT C

## ORIGINAL DESCRIPTION OF THE PROJECT

## [COPY OF EXHIBIT A TO ISSUER APPLICATION TO THE IRS]
## CLEAN RENEWABLE ENERGY BONDS APPLICATION
## EXHIBIT A

### SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

### PEARCE ELEMENTARY SCHOOL DISTRICT PHOTOVOLTAIC SOLAR SHADE STRUCTURE

This project will place photovoltaic modules costing $280,000 each, that will produce 23 kW of electricity in the shade structures in the two Pearce Elementary School District schools. The PV structure will provide electricity to the respective school at no charge. There will also be a cable connection to a computer in the library of each school to show students how the system is working.

This project is the identical project that Navopache Electric Cooperative in Arizona built in 2001 that continues to function with no issues/problems.

SSVEC will operate and maintain the structure. Any excess power produced will flow back to the SSVEC grid.

The PV structures at the schools will significantly reduce their electric bills, which have been disproportionately large due to the per meter monthly surcharges mandated by the Environmental Portfolio Program (EPP), and approved by the Arizona Corporation Commission. All customers pay the EPP fees to SSVEC, which uses them to fund renewable energy projects. Since each school has many meters, they pay the EPP a disproportionately large amount of dollars. The benefit of reduced electric bills will offset their payments into the fund.

The RFP issued by Sulphur Springs Valley Electric Cooperative follows.

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.
A TOUCHSTONE ENERGY® COOPERATIVE

FOR THE ELECTRIC COOPERATIVES IN THE STATE OF ARIZONA

# REQUEST A PROPOSAL FOR A PHOTOVOLTAIC SYSTEM USED FOR SHADE STRUCTURES FOR PUBLIC BUILDINGS

ISSUED: AUGUST 1, 2005

Narrative: The Electric Cooperatives in Arizona (Duncan Valley EC, Graham County EC, Mohave EC, Navopache EC, Sulphur Springs Valley EC, Trico EC and Arizona Electric Power Cooperative, Inc.) request a proposal for a modular designed system to supply a 10 kW to 30 kW Photovoltaic (PV) system. System size is relative to the space available for the PV panels on each site. System may consist of multiple free standing modules interconnected to meet the 10 to 30 kW size requirement. Modules to be used as free standing carports or free standing covers for walkways to provide shade. These systems are to be used at public buildings to increase the awareness of PV systems and operations and systems will be sized based on the available space. Base pricing for 10, 15, 20, 25, and 30 kW systems are requested (systems may be rounded to the nearest 5kW increment). The interconnection cost from the PV system to nearest distribution panel will be on a case by case basis due to the variation in sites. This RFP is not all inclusive and contractor may include other specifications or requirements they feel are necessary for a successful venture.

This RFP is released on August 1, 2005 and response must be in a written proposal by October 1, 2005. For questions or clarification of details please contact Albert Gomez (520-515-3473) or David Bane (520-515-3472).

SCOPE OF WORK - THE CONTRACTOR WILL BE RESPONSIBLE FOR THE FOLLOWING:

- Structural design of the supporting PV structures (carport and walkway)
- One line circuit diagrams for approval by local Cooperative's engineering department
- Complete wiring diagrams (to be included in owner manual)
- Isolation transformers as needed to meet the NEC
- Purchase and installation of all components
- Systems test period of 4-6 weeks prior to transfer of title of equipment to site owner

- Any required Permits (Cooperative will reimburse actual cost of permits)
- Meter socket on the A/C output of the inverter(s)
- Interconnection with Customers electric service
- Fencing around inverters and other equipment as required for security and public safety
- Project to meet or exceed SunWatts standards
- Basic training for site owner / site operator
- Operators Manual

THE COOPERATIVE WILL PROVIDE THE FOLLOWING:

- Meter to measure AC output from PV system to owners electric panel
- Written permission from site owner to build the PV Module
- Act as the point of contact with the installation Contractor on behalf of the site owner

STRUCTURAL DESIGN REQUIREMENTS:

The basic structure is to support the PV cells but must be able to work as a carport with all the required clearances. Support should be in a cantilever style to allow easy parking, spacing on vertical supports should be in multiples of 10 feet to be able to match typical parking lot spacing, height should allow the parking of full size passenger vans, and structure does not have to be water proof (providing shade to vehicles is secondary to the production of energy). Sample profile (to show intent not required design) is on page 4. Ideal structure would have the ability to support PV panels that would be effective if the long side of the structure is in a North-South as well as East-West orientation.

PV DESIGN REQUIREMENTS:

- PV panels shall have warranty for a minimum of 15 years to cover rated output (output degradation not to exceed 20% over life of panel)
- All system components will be UL certified
- System will include isolation transformers per section 250-30 of the NEC
- Polyphase inverter with voltage to match customer's system.
- Inverter to match capacity of project
- 15 year manufacturers warranty on Inverter (contractor may use an extended warranty insurance policy to meet 15 year requirement)
- Contractor will warranty repair labor at 100% for first 5 years, 66% of labor for second 5 years, and 33% of labor for remaining 5 years, (limited to warranty repairs)
- Interconnection costs from site of PV system to nearest practical distribution panel will be on a case by case basis, (site selection process will keep this as short as possible)

SUNWATTS REQUIREMENTS:

- One-line drawings subject to approval by local Cooperative's engineering department
- Units to operate in parallel with grid
- Includes protection for out of frequency problems

- Low harmonics
- Inverter must disconnect in the event grid power is lost
- Lockable safety switch located between the inverter and meter socket

TRAINING REQUIREMENTS:

The Contractor will provide sufficient time with the site owner to explain how to disconnect the system, locate inverter, identify all junction boxes between the modules, and identify any system warning lights or displays. Contractor will also provide system manual with basic operating instructions and all the associated warranty information and manufacturer contacts listed.

## EXHIBIT D

## MONTHLY DRAWDOWN SCHEDULE OF AMOUNTS TO BE ADVANCED TO THE BORROWER PURSUANT TO THE LOAN AGREEMENT

| DATE ON WHICH PROCEEDS ARE EXPECTED TO BE EXPENDED | AMOUNTS OF PROCEEDS TO BE EXPENDED |
|---|---|
| October 13, 2008 | $280,000 |
| October 20, 2008 | $280,000 |

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

To

NATIONAL RURAL UTILITIES
COOPERATIVE FINANCE CORPORATION
Issuer

# LOAN AGREEMENT

Dated as of 12/21, 2007

Clean Renewable Energy Bonds
(Cooperative Renewable Energy Projects) Series 2008A
of National Rural Utilities Cooperative Finance Corporation

CFC LOANAG
AZ014-A-9044-CB001 (JABLONJ)
117583-2

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## LOAN AGREEMENT

**LOAN AGREEMENT** (this "Agreement") dated as of _____, between SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. ("Borrower"), a corporation organized and existing under the laws of the State of Arizona and NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION ("CFC"), a cooperative association organized and existing under the laws of the District of Columbia.

## RECITALS

**WHEREAS,** the Borrower has applied to CFC for a loan for the purposes set forth in Schedule 1 hereto, and CFC is willing to make such a loan to the Borrower on the terms and conditions stated herein; and

**WHEREAS,** the Borrower has agreed to execute a promissory note to evidence an indebtedness in the aggregate principal amount of the CFC Commitment (as hereinafter defined).

**NOW, THEREFORE,** for and in consideration of the premises and the mutual covenants hereinafter contained, the parties hereto agree and bind themselves as follows:

## ARTICLE I

## DEFINITIONS

**Section 1.01** For purposes of this Agreement, the following capitalized terms shall have the following meanings (such definitions to be equally applicable to the singular and the plural form thereof). Capitalized terms that are not defined herein shall have the meanings as set forth in the Mortgage.

**"Accounting Requirements"** shall mean any system of accounts prescribed by a federal regulatory authority having jurisdiction over the Borrower or, in the absence thereof, the requirements of GAAP applicable to businesses similar to that of the Borrower.

**"Advance"** shall mean each advance of funds by CFC to the Borrower pursuant to the terms and conditions of this Agreement, including the Initial Advance and the Primary Advance.

**"Authorized Officer of the Borrower"** means the Chairman, General Manager or Chief Financial Officer of the Borrower or any other person authorized by the Board of the Borrower so to act or any other person performing a function similar to the function performed by any such officer or authorized person.

**"Average DSC Ratio"** shall mean the average of the Borrower's two highest annual DSC Ratios during the most recent three calendar years.

**"Bond Counsel"** means an attorney at law or a firm of attorneys (designated by CFC and acceptable to the Trustee) of nationally recognized standing in matters pertaining to the tax-exempt nature of interest or tax credits on bonds issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of any state of the United States of America.

**"Business Day"** shall mean any day that both CFC and the depository institution CFC utilizes for funds transfers hereunder are open for business.

**"CFC Commitment"** shall have the meaning as defined in Schedule 1.

**"CFC CREB Rate"** shall mean the interest rate charged by CFC for loans made by CFC from proceeds of the CREBs which rate shall not exceed one hundred and fifty basis points (150/100 of 1%) per annum.

**"Closing Date"** shall mean the date CFC issues the CREBs.

**"Code"** shall mean the Internal Revenue Code of 1986, as supplemented and amended.

**"Completion Certificate"** shall mean the certificate of the Borrower required by Section 5.01.P of this Agreement, substantially in the form of Exhibit C hereto.

**"CREBs"** shall mean the series of Securities issued by CFC to provide financing for the Project.

**"CREB Maturity Date"** shall mean the maturity date of the CREBs, which shall be the December 15th prior to the Maximum CREB Term Anniversary Date.

**"Debt Service Coverage ("DSC") Ratio"** shall mean the ratio determined as follows: for any calendar year add (i) Operating Margins, (ii) Non-Operating Margins--Interest, (iii) Interest Expense, (iv) Depreciation and Amortization Expense, and (v) cash received in respect of generation and transmission and other capital credits, and divide the sum so obtained by the sum of all payments of Principal and Interest Expense required to be made during such calendar year; provided, however, that in the event that any amount of Long-Term Debt has been refinanced during such year, the payments of Principal and Interest Expense required to be made during such year on account of such refinanced amount of Long-Term Debt shall be based (in lieu of actual payments required to be made on such refinanced amount of Long-Term 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 payment of Principal and Interest Expense required to be made during the following year on account of such refinancing debt.

**"Default Rate"** shall mean a rate per annum equal to one hundred and fifty basis points (150/100 of 1%).

**"Depreciation and Amortization Expense"** shall mean an amount constituting the depreciation and amortization of the Borrower computed pursuant to Accounting Requirements.

**"Determination of Tax Credit Ineligibility"** shall mean a determination that a particular series of Securities does not qualify for a tax credit for the owner thereof under Section 54 of the Code, which determination shall be deemed to have been made upon the occurrence of the first to occur of the following:

(a) the date on which CFC determines that there is a significant likelihood that a particular series of Securities may not qualify for a tax credit, if such determination is supported by a written opinion of Bond Counsel to that effect; or

(b) the date on which CFC shall receive notice in writing that the Trustee has been advised by the owner of any Security that a particular series of Securities does not qualify for a tax credit for the owner thereof, based upon a final determination made either by: (A) the Internal Revenue Service in a published or private ruling or technical advice memorandum or (B) any court of competent jurisdiction in the United States of America, as a result of a failure by CFC or any borrower to observe any agreement or representation in the Tax Compliance Agreement or a Loan Agreement or Project Agreement relating to the proceeds of the Securities. Any such determination will not be considered final for this purpose unless the Owner of the Securities involved in the proceeding or action resulting in the determination (i) gives CFC and the Trustee prompt written notice of the commencement thereof and (ii) if CFC agrees to pay all expenses in connection therewith and to indemnify such Owner of the Securities against all liabilities in connection therewith, offers CFC an opportunity to contest the determination, either directly or in the name of the Owner of the Securities, and until conclusion of any review, if sought.

**"Distributions"** shall mean, with respect to the Borrower, any dividend, patronage refund, patronage capital retirement or cash distribution to its members, or consumers (including but not limited to any general cancellation or abatement of charges for electric energy or services furnished by the Borrower). The term "Distribution" shall *not* include (a) a distribution by the Borrower to the estate of a deceased patron, (b) repayment by the Borrower of a membership fee upon termination of a membership, or (c) any rebate to a patron resulting from a cost abatement received by the Borrower, such as a reduction of wholesale power cost previously incurred.

**"Draw Period"** shall have the meaning as described in Schedule 1 hereto.

**"Environmental Laws"** shall mean all laws, rules and regulations promulgated by any Governmental Authority, with which Borrower is required to comply, regarding the use, treatment, discharge, storage, management, handling, manufacture, generation, processing, recycling, distribution, transport, release of or exposure to any Hazardous Material.

**"Equity"** shall mean the aggregate of the Borrower's equities and margins computed pursuant to Accounting Requirements.

**"Event of Default"** shall have the meaning as described in Article VI hereof.

**"Funds Requisition Statement"** shall mean the certificate of the Borrower, in the form set forth as Exhibit A to this Agreement, by which the Borrower will obtain an advance of funds from CFC under the Loan.

**"GAAP"** shall mean generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board.

**"Governmental Authority"** shall mean the government of the United States of America, any other nation or government, any state or other political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

**"Hazardous Material"** shall mean any (a) petroleum or petroleum products, radioactive materials, asbestos-containing materials, polychlorinated biphenyls, lead and radon gas, and (b) any

other substance designated as hazardous or toxic or as a pollutant or contaminant under any Environmental Law.

**"Indenture"** shall mean the Indenture between CFC and U.S. Bank Trust Company National Association, relating to the first issue of Securities, pursuant to which the Securities, including the CREBs are issued, as supplemented and amended.

**"Initial Advance"** shall mean the Advance made by CFC on the Closing Date pursuant to Section 3.02.A hereof to fund a portion of CFC's costs in issuing the CREBs attributable to the CFC Commitment, including, but not limited to, original issue discount, underwriting discount and other costs of issuance, including, without limitation, rating agency costs and legal, underwriting and Trustee expenses.

**"Interest Expense"** shall mean an amount constituting the interest expense with respect to Long-Term Debt of the Borrower computed pursuant to Accounting Requirements. 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 Restricted Rentals paid by the Borrower over 2% of the Borrower's Equity.

**"Lien"** shall mean any statutory or common law consensual or non-consensual mortgage, pledge, security interest, encumbrance, lien, right of set off, claim or charge of any kind, including, without limitation, any conditional sale or other title retention transaction, any lease transaction in the nature thereof and any secured transaction under the Uniform Commercial Code.

**"Loan"** shall mean the loan made by CFC to the Borrower, pursuant to this Agreement and the Note, in an aggregate principal amount not to exceed the CFC Commitment.

**"Loan Capital Term Certificate" or "LCTC"** shall mean a certificate, or book entry form of account, evidencing the Borrower's purchase of equity in CFC.

**"Loan Documents"** shall mean this Agreement, the Note, the Mortgage, the Project Agreement and all other documents or instruments executed, delivered or executed and delivered by the Borrower and evidencing, securing, governing or otherwise pertaining to, the Loan.

**"Long-Term Debt"** shall mean an amount constituting the long-term debt of the Borrower computed pursuant to Accounting Requirements.

**"Maturity Date"** shall mean the Payment Date immediately prior to the CREB Maturity Date permitted for the CREBs under Section 54(e)(2) of the Code as in effect on the Closing Date.

**"Maximum CREB Term Anniversary Date"** shall mean the anniversary of the Closing Date that occurs at the maximum term permitted for the CREBs under Section 54(e)(2) of the Code as in effect on the Closing Date.

**"Mortgage"** shall have the meaning as described in Schedule 1 hereto.

**"Mortgaged Property"** shall have the meaning ascribed to it in the Mortgage.

**"Non-Operating Margins--Interest"** shall mean the amount representing the interest component of non-operating margins of the Borrower computed pursuant to Accounting Requirements.

**"Note"** shall mean the secured promissory note, payable to the order of CFC, executed by the Borrower, dated as of even date herewith, pursuant to this Agreement as identified on Schedule 1 hereto and shall include any substitute note or modification thereto.

**"Obligations"** shall mean any and all liabilities, obligations or indebtedness owing by the Borrower to CFC, of any kind or description, irrespective of whether for the payment of money, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising.

**"Operating Margins"** shall mean the amount of patronage capital and operating margins of the Borrower computed pursuant to Accounting Requirements.

**"Payment Date"** shall mean the first (1st) day of each of March, June and September and December.

**"Payment Notice"** shall mean a notice furnished by CFC to the Borrower that indicates the amount of each payment of interest or interest and principal and the total amount of each payment due.

**"Permitted Encumbrances"** shall have the meaning ascribed to it in the Mortgage.

**"Person"** shall mean natural persons, cooperatives, corporations, limited liability companies, limited partnerships, general partnerships, limited liability partnerships, joint ventures, associations, companies, trusts or other organizations, irrespective of whether they are legal entities, and Governmental Authorities.

**"Primary Advance"** shall mean the Advance made by CFC to the Borrower pursuant to Section 3.02.B hereof two Business Days after the Closing Date to reimburse Borrower for costs of the Project.

**"Principal"** shall mean the amount of principal billed on account of Long-Term Debt of the Borrower computed pursuant to Accounting Requirements.

**"Project"** shall mean the project being financed pursuant to the Loan, as further described in Schedule 1.

**"Project Account"** means an account created pursuant to the Indenture within the Project Fund related to the CREBs.

**"Project Agreement"** shall mean the Project Agreement, dated as of even date herewith, executed by the Borrower with respect to the Project and the CREBs.

**"Project Fund"** means the Project Fund created and identified as such in the Indenture.

**"Restricted Rentals"** shall mean all rentals required to be paid under finance leases and charged to income, exclusive of any amounts paid under any such lease (whether or not designated therein as rental or additional rental) for maintenance or repairs, insurance, taxes, assessments, water rates or similar charges. For the purpose of this definition the term "finance lease" shall mean any lease having a rental term (including the term for which such lease may be renewed or extended at the option of the lessee) in excess of three (3) years and covering property having an initial cost in excess of $250,000 other than automobiles, trucks, trailers, other vehicles (including without

limitation aircraft and ships), office, garage and warehouse space and office equipment (including without limitation computers).

**"Securities"** shall mean one or more series of clean renewable energy bonds issued by CFC under the Indenture.

**"Subsidiary"** as to any Person, shall mean a corporation, partnership, limited partnership, limited liability company or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise qualified, all references to a "Subsidiary" or to "Subsidiaries" in this Agreement shall refer to a Subsidiary or Subsidiaries of the Borrower.

**"Tax Compliance Agreement"** means a tax compliance certificate and agreement of CFC with respect to a series of Securities, as accepted by the Trustee, as amended.

**"Termination Certificate"** shall mean the certificate of the Borrower required by Section 5.01.Q of this Agreement, substantially in the form of Exhibit D hereto.

**"Total Assets"** shall mean an amount constituting the total assets of the Borrower computed pursuant to Accounting Requirements.

**"Total Utility Plant"** shall mean the amount constituting the total utility plant of the Borrower computed pursuant to Accounting Requirements.

**"Trustee"** shall mean U.S. Bank Trust Company National Association and its successors and assigns.

## ARTICLE II

## REPRESENTATIONS AND WARRANTIES

**Section 2.01** The Borrower represents and warrants to CFC that as of the date of this Agreement:

A. **Good Standing.** The Borrower is duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization, is duly qualified to do business and is in good standing in those states in which it is required to be qualified to conduct its business. The Borrower is a member in good standing of CFC.

B. **Subsidiaries and Ownership.** Schedule 1 hereto sets forth a complete and accurate list of the Subsidiaries of the Borrower showing the percentage of the Borrower's ownership of the outstanding stock, membership interests or partnership interests, as applicable, of each Subsidiary.

C. **Authority; Validity.** The Borrower has the power and authority to enter into this Agreement, the Note, the Project Agreement and the Mortgage; to make the borrowing hereunder; to execute and deliver all documents and instruments required hereunder and to incur and perform the obligations provided for herein, in the Note, in the Project Agreement and in the Mortgage, all of which have been duly authorized by all necessary and proper action; and no consent or approval of

any Person, including, as applicable and without limitation, members of the Borrower, which has not been obtained is required as a condition to the validity or enforceability hereof or thereof.

Each of this Agreement, the Note, the Project Agreement and the Mortgage is, and when fully executed and delivered will be, legal, valid and binding upon the Borrower and enforceable against the Borrower in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity.

**D. No Conflicting Agreements.** The execution and delivery of the Loan Documents and performance by the Borrower of the obligations thereunder, and the transactions contemplated hereby or thereby, will not: (i) violate any provision of law, any order, rule or regulation of any court or other agency of government, any award of any arbitrator, the articles of incorporation or by-laws of the Borrower, or any indenture, contract, agreement, mortgage, deed of trust or other instrument to which the Borrower is a party or by which it or any of its property is bound; or (ii) be in conflict with, result in a breach of or constitute (with due notice and/or lapse of time) a default under, any such award, indenture, contract, agreement, mortgage, deed of trust or other instrument, or result in the creation or imposition of any Lien (other than contemplated hereby) upon any of the property or assets of the Borrower.

The Borrower is not in default in any material respect under any agreement or instrument to which it is a party or by which it is bound and no event or condition exists which constitutes a default, or with the giving of notice or lapse of time, or both, would constitute a default under any such agreement or instrument.

**E. Taxes.** The Borrower, and each of its Subsidiaries, has filed or caused to be filed all federal, state and local tax returns which are required to be filed and has paid or caused to be paid all federal, state and local taxes, assessments, and governmental charges and levies thereon, including interest and penalties to the extent that such taxes, assessments, and governmental charges and levies have become due, except for such taxes, assessments, and governmental charges and levies which the Borrower or any Subsidiary is contesting in good faith by appropriate proceedings for which adequate reserves have been set aside.

**F. Licenses and Permits.** The Borrower has duly obtained and now holds all licenses, permits, certifications, approvals and the like necessary to own and operate its property and business that are required by Governmental Authorities and each remains valid and in full force and effect.

**G. Litigation.** There are no outstanding judgments, suits, claims, actions or proceedings pending or, to the knowledge of the Borrower, threatened against or affecting the Borrower, its Subsidiaries or any of their respective properties which, if adversely determined, either individually or collectively, would have a material adverse effect upon the business, operations, prospects, assets, liabilities or financial condition of the Borrower or its Subsidiaries. The Borrower and its Subsidiaries are not, to the Borrower's knowledge, in default or violation with respect to any judgment, order, writ, injunction, decree, rule or regulation of any Governmental Authority which would have a material adverse effect upon the business, operations, prospects, assets, liabilities or financial condition of the Borrower or its Subsidiaries.

**H. Financial Statements.** The balance sheet of the Borrower as at the date identified in Schedule 1 hereto, the statement of operations of the Borrower for the period ending on said date, and the interim financial statements of the Borrower, all heretofore furnished to CFC, are complete and correct. Said balance sheet fairly presents the financial condition of the Borrower as at said date

and said statement of operations fairly reflects its operations for the period ending on said date. The Borrower has no contingent obligations or extraordinary forward or long-term commitments except as specifically stated in said balance sheet or herein. There has been no material adverse change in the financial condition or operations of the Borrower from that set forth in said financial statements except changes disclosed in writing to CFC prior to the date hereof.

I. **Borrower's Legal Status.** Schedule 1 hereto accurately sets forth: (i) the Borrower's exact legal name, (ii) the Borrower's organizational type and jurisdiction of organization, (iii) the Borrower's organizational identification number or accurate statement that the Borrower has none, and (iv) the Borrower's place of business or, if more than one, its chief executive office as well as the Borrower's mailing address if different.

J. **Required Approvals.** Other than the CREBs allocation received from the Internal Revenue Service, no license, consent or approval of any Governmental Authority is required to enable the Borrower to enter into this Agreement, the Project Agreement, the Note and the Mortgage, or to perform any of its Obligations provided for in such documents, including without limitation (and if applicable), that of any state public utilities commission, any state public service commission, and the Federal Energy Regulatory Commission, except as disclosed in Schedule 1 hereto, all of which the Borrower has obtained prior to the date hereof.

K. **Compliance With Laws.** The Borrower and each Subsidiary is in compliance, in all material respects, with all applicable requirements of law and all applicable rules and regulations of each Governmental Authority.

L. **Disclosure.** To the Borrower's knowledge, information and belief, neither this Agreement nor any document, certificate or financial statement furnished to CFC by or on behalf of the Borrower in connection herewith (all such documents, certificates and financial statements, taken as a whole) contains any untrue statement of a material fact or omits to state any material fact necessary in order to make the statements contained herein and therein not misleading.

M. **No Other Liens.** As to property which is presently included in the description of Mortgaged Property, the Borrower has not, without the prior written approval of CFC, executed or authenticated any security agreement or mortgage, or filed or authorized any financing statement to be filed with respect to assets owned by it, other than security agreements, mortgages and financing statements in favor of CFC, except as disclosed in writing to CFC prior to the date hereof or relating to Permitted Encumbrances.

N. **Environmental Matters.** Except as to matters which individually or in the aggregate would not have a material adverse effect upon the business or financial condition of the Borrower or its Subsidiaries, (i) Borrower is in compliance with all Environmental Laws (including, but not limited to, having any required permits and licenses), (ii) there have been no releases (other than releases remediated in compliance with Environmental Laws) from any underground or aboveground storage tanks (or piping associated therewith) that are or were present at the Mortgaged Property, (iii) Borrower has not received written notice or claim of any violation of any Environmental Law, (iv) there is no pending investigation of Borrower in regard to any Environmental Law, and (v) to the best of Borrower's knowledge, there has not been any release or contamination (other than releases or contamination remediated in compliance with Environmental Laws) resulting from the presence of Hazardous Materials on property owned, leased or operated by the Borrower.

O. **Project Agreement.** As set forth in the Project Agreement, the Project constitutes "a qualified project" as defined in Section 54(d)(2)(A) of the Code. As set forth in the Project Agreement,

the Borrower constitutes currently, and will remain through the period that the CREBs remain outstanding, "a Qualified Borrower", meaning a (i) mutual or cooperative electric company described in Sections 501(c)(12) or 1381(a)(2)(C) of the Code, or (ii) a Governmental Body, which is defined as any state, territory possession of the U.S., the District of Columbia, Indian tribal government, and any political subdivision thereof. The statements, information and descriptions contained in the Project Agreement are true, correct and complete, and do not contain any untrue statement or misleading statement of a material fact, and do not omit to state a material fact required to be stated therein or necessary to make the statements, information and descriptions contained therein, in the light of the circumstances under which they were made, not misleading, and the estimates and the assumptions contained in the Project Agreement are reasonable and based on the best information available to the Borrower.

## ARTICLE III

## LOAN

**Section 3.01 Definitions.** For purposes of this Article 3, the following capitalized terms shall have the following meanings:

**"Borrower's Annual Bond Repayment Amount"** shall mean the amount determined by dividing the CFC Commitment by the number of years from the Closing Date to the Maximum CREB Term Anniversary Date, which amount shall be recalculated on the date CFC rescinds any excess moneys pursuant to Section 3.05 or 3.06 hereof.

**"Quarterly Bond Deposit Amount"** shall mean for each Payment Date, the amount determined by subtracting from the Quarterly Bond Repayment Amount the principal amount payable by the Borrower pursuant to Section 3.03.A(ii)(b)(1) on such Payment Date.

**"Quarterly Bond Repayment Amount"** shall mean one-fourth (¼) of the Borrower's Annual Bond Repayment Amount.

**Section 3.02 Advances.** The obligation of the Borrower to repay the Advances shall be evidenced by the Note. The aggregate amount of all Advances made hereunder shall not exceed the CFC Commitment. At the end of the Draw Period, CFC shall have no further obligation to make Advances.

**A. Initial Advance.** Borrower hereby agrees that on the Closing Date, CFC shall automatically, and without action by Borrower, make the Initial Advance. On the Closing Date, CFC shall notify Borrower of the final amount of the Initial Advance and the amount of the CFC Commitment remaining for Borrower to subsequently Advance.

**B. Subsequent Advances.**

(i) The Borrower may submit a request for the Primary Advance to CFC in writing (which may be submitted by facsimile) no later than 12:00 noon local time at CFC's offices in Herndon, Virginia seven Business Days prior to the Closing Date. The Primary Advance may be requested in any amount up to the CFC Commitment. CFC shall make the Primary Advance two Business Days after the Closing Date in the lesser of (i) the aggregate amount of such requested Primary Advance, and (ii) the amount of the CFC Commitment less the amount of the Initial Advance.

(ii) Except as set forth in 3.02.A and 3.02.B(i) hereof, the Borrower shall submit its request for an Advance to CFC in writing (which may be submitted by facsimile) no later than 12:00 noon local time at CFC's offices in Herndon, Virginia at least two (2) Business Days prior to the last Business Day of any calendar month. Borrower may make multiple requests for Advances during any calendar month in any amount so long as the aggregate amount of all Advances requested in such month is in an amount not less than $100,000.00; *provided, however* that at such time as there remains less than $100,000.00 available for Advance hereunder, Borrower may request the entirety of such remaining amount. CFC shall make a single Advance to Borrower on the first Business Day of the calendar month following Borrower's request(s) for an Advance. Such Advance shall be in the aggregate amount of all Advances requested by Borrower in the prior month, *provided however* that at such time as there remains less than $100,000.00 available for Advance hereunder and Borrower requests the entirety of such remaining amount, CFC shall Advance the entirety of such remaining amount.

**Section 3.03 Interest Rate and Payment.** The Note shall be payable and bear interest as follows:

**A. Payments; Maturity; Amortization.**

(i) The Note shall be due and payable on the Maturity Date.

(ii) On each Payment Date, the Borrower shall promptly pay the following:

(a) accrued interest on the principal amount of the Loan outstanding less the amount of the Initial Advance; and

(b) the Quarterly Bond Repayment Amount, consisting of:

(1) the principal amount due on any outstanding Advances, determined on the basis of a quarterly amortization schedule from the date of each Advance; and

(2) the Quarterly Bond Deposit Amount.

(iii) If not sooner paid, any amount due on account of the unpaid principal, interest accrued thereon and fees, if any, shall be due and payable on the Maturity Date.

(iv) Each Advance shall amortize on a level principal payment basis from the date thereof through the Maturity Date.

(v) CFC will furnish to the Borrower a Payment Notice at least ten (10) days before each Payment Date, provided, however, that CFC's failure to send a Payment Notice shall not constitute a waiver by CFC or be deemed to relieve the Borrower of its obligation to make payments as and when due as provided for herein.

(vi) No provision of this Agreement or of any Note shall require the payment, or permit the collection, of interest in excess of the highest rate permitted by applicable law.

Borrower agrees that the records of, and all computations by, CFC (in whatever media they are recorded or maintained) as to the amount of principal, interest, fees and Quarterly Bond Deposit Amount due on the Loan shall be conclusive in the absence of manifest error.

**B. Application of Payments.** Each payment shall be applied to the Loan, first to any fees, costs, expenses or charges other than interest or principal, second to interest accrued, third to the Quarterly Bond Deposit Amount and the balance to principal.

**C. Application of Bond Repayment Deposit.** At such time as the aggregate amount billed by CFC in any calendar year on account of amortized principal under this Agreement exceeds the Borrower's Annual Bond Repayment Amount for such year, CFC shall apply a portion of the Borrower's prior payments of the Quarterly Bond Deposit Amount in the amount of such overage to principal then due. Until such time, Borrower's payments of the Quarterly Bond Deposit Amount shall not reduce the amount of principal outstanding and subject to amortization. Any amount paid by the Borrower under this Agreement on account of the Quarterly Bond Deposit Amount in excess of the principal amount of the fully advanced Loan shall be refunded to the Borrower on the Maturity Date.

**D. Interest Rate Computation.** Each Advance except the Initial Advance shall bear interest at the CFC CREB Rate which shall apply until the Maturity Date. The Initial Advance shall not bear interest. Interest on Advances shall be computed on the basis of a 30-day month and 360-day year.

**Section 3.04. Extraordinary Obligation to Prepay**. Upon a Determination of Tax Credit Ineligibility that subjects the CREBs to an extraordinary mandatory redemption due to a failure of the Borrower to observe any agreement or representation in this Loan Agreement (as more particularly described in paragraph (b) of the defined term "Determination of Tax Credit Ineligibility"), the Borrower shall prepay the Loan, or such part thereof as determined by CFC, at such times and in such amounts as determined by CFC within sixty (60) days of such determination together with a prepayment premium prescribed by CFC pursuant to its policies of general application in effect from time to time.

**Section 3.05. Rescission of Excess Moneys; Fee.** If the Borrower has not drawn down the full amount of the CFC Commitment at (i) the time of filing the Completion Certificate under Section 5.01P. hereof, (ii) the time of filing the Termination Certificate under 5.01Q. hereof, (iii) a Determination of Tax Credit Ineligibility or (iv) the end of the Draw Period, a corresponding rescission of the amount of principal available to be drawn on the Note as calculated by CFC shall automatically be made without further action by the Borrower. CFC shall release the Borrower from its obligations hereunder as to such rescinded portion, provided the Borrower complies with such terms and conditions as CFC may impose for such release including, without limitation, payment of any rescission fee that CFC may from time to time prescribe, pursuant to its policies of general application.

**Section 3.06. Cancellation of Excess Moneys.** If the Borrower has not drawn down the full amount of the CFC Commitment at the time CFC determines that it will cease making Advances hereunder pursuant to Section 7.01 hereof, a corresponding cancellation of the amount of principal available to be drawn on the Note as calculated by CFC shall automatically be made without action by the Borrower.

**Section 3.07. Default Rate.** If Borrower defaults on its obligation to make a payment due hereunder by the applicable Payment Date, and such default continues for thirty days thereafter, then

beginning on the thirty-first day after the Payment Date and for so long as such default continues, Advances shall bear interest at the Default Rate.

**Section 3.08. Patronage Capital; Interest Rate Discounts.** No patronage capital shall be earned, and no interest rate discounts shall apply, to the Loan.

**Section 3.09. Optional Prepayment.** Except for prepayments made pursuant to Section 3.04 hereof, no prepayment of any Advance, in whole or in part, may be made by the Borrower.

## ARTICLE IV

## CONDITIONS OF LENDING

**Section 4.01** The obligation of CFC to make any Advance hereunder is subject to satisfaction of the following conditions in form and substance satisfactory to CFC:

**A. Legal Matters.** All legal matters incident to the consummation of the transactions hereby contemplated shall be satisfactory to counsel for CFC.

**B. Documents.** CFC shall have been furnished with (i) the executed Loan Documents, (ii) certified copies of all such organizational documents and proceedings of the Borrower authorizing the transactions hereby contemplated as CFC shall require, (iii) an opinion of counsel for the Borrower addressing such legal matters as CFC shall reasonably require, and (iv) all other such documents as CFC may reasonably request.

**C. Government Approvals.** The Borrower shall have furnished to CFC true and correct copies of all certificates, authorizations, consents, permits and licenses from Governmental Authorities necessary for the execution or delivery of the Loan Documents or performance by the Borrower of the obligations thereunder.

**D. Representations and Warranties.** The representations and warranties contained in Article II shall be true on the date of the making of each Advance hereunder with the same effect as though such representations and warranties had been made on such date; no Event of Default and no event which, with the lapse of time or the notice and lapse of time would become such an Event of Default, shall have occurred and be continuing or will have occurred after giving effect to each Advance on the books of the Borrower; there shall have occurred no material adverse change in the business or condition, financial or otherwise, of the Borrower; and nothing shall have occurred which in the opinion of CFC materially and adversely affects the Borrower's ability to perform its obligations hereunder.

**E. Mortgage Recordation.** The Mortgage (and any amendments, supplements or restatements as CFC may require from time to time) shall have been duly filed, recorded or indexed in all jurisdictions necessary (and in any other jurisdiction that CFC shall have reasonably requested) to provide CFC a lien, subject to Permitted Encumbrances, on all of the Borrower's real property, all in accordance with applicable law, and the Borrower shall have paid all applicable taxes, recording and filing fees and caused satisfactory evidence thereof to be furnished to CFC.

**F. UCC Filings.** Uniform Commercial Code financing statements (and any continuation statements and other amendments thereto that CFC shall require from time to time) shall have been duly filed, recorded or indexed in all jurisdictions necessary (and in any other jurisdiction that CFC

shall have reasonably requested) to provide CFC a perfected security interest, subject to Permitted Encumbrances, in the Mortgaged Property which may be perfected by the filing of a financing statement, all in accordance with applicable law, and the Borrower shall have paid all applicable taxes, recording and filing fees and caused satisfactory evidence thereof to be furnished to CFC.

G. **Requisitions.** The Borrower will requisition each Advance by submitting its written requisition to CFC in the form attached as Exhibit A hereto. Requisitions for Advances shall be made only for the purposes set forth in Schedule 1 hereto.

H. **Other Information.** The Borrower shall have furnished such other information as CFC may reasonably require, including but not limited to (i) information regarding the specific purpose for an Advance and the use thereof, (ii) feasibility studies, cash flow projections, financial analyses and pro forma financial statements sufficient to demonstrate to CFC's reasonable satisfaction that after giving effect to the Advance requested, the Borrower shall continue to achieve the DSC ratio set forth in Section 5.01.A herein, to meet all of its debt service obligations, and otherwise to perform and to comply with all other covenants and conditions set forth in this Agreement, and (iii) any other information as CFC may reasonably request. CFC's obligation to make any Advance hereunder is conditioned upon prior receipt and approval of the Borrower's written requisition and other information and documentation, if any, as CFC may have requested pursuant to this paragraph.

I. **Issuance of Bonds.** CFC shall have issued CREBs in an amount not less than the CFC Commitment.

J. **CREB Allocation**. CFC shall have received an allocation in the amount of the CFC Commitment from the U.S. Department of Treasury for the Borrower's Project under its Securities program.

K. **Tax Credit Ineligibility.** There shall have occurred no Determination of Tax Credit Ineligibility with regard to the Borrower or the Project.

L. **Bring Down Certificate.** Two (2) Business Days prior to the Closing Date, the Borrower shall furnish CFC with a certificate of an Authorized Officer of the Borrower in the form of Exhibit B hereto, certifying that all of the representations and warranties set forth in Article II hereof are true on the Closing Date.

## ARTICLE V

## COVENANTS

**Section 5.01 Affirmative Covenants.** The Borrower covenants and agrees with CFC that until payment in full of the Note and performance of all obligations of the Borrower hereunder:

A. **Financial Ratios; Design of Rates.** The Borrower shall achieve an Average DSC Ratio of not less than 1.35. The Borrower shall not decrease its rates for electric service if it has failed to achieve a DSC Ratio of 1.35 for the calendar year prior to such reduction subject only to an order from a Governmental Authority properly exercising jurisdiction over the Borrower.

B. **Loan Proceeds.** The Borrower shall use the proceeds of this Loan solely for the purposes identified on Schedule 1 hereto.

**C. Notice.** The Borrower shall promptly notify CFC in writing of:

(i) any material adverse change in the business, operations, prospects, assets, liabilities or financial condition of the Borrower;

(ii) the institution or threat of any litigation or administrative proceeding of any nature involving the Borrower which could materially affect the business, operations, prospects, assets, liabilities or financial condition of the Borrower;

(iii) the occurrence of an Event of Default hereunder, or any event that, with the giving of notice or lapse of time, or both, would constitute an Event of Default.

**D. Default Notices.** Upon receipt of any notices with respect to a default by the Borrower under the terms of any evidence of any indebtedness with parties other than CFC or of any loan agreement, mortgage or other agreement relating thereto, the Borrower shall deliver copies of such notice to CFC.

**E. Annual Certificates.**

(i) Within one hundred twenty (120) days after the close of each calendar year, commencing with the year in which the initial Advance hereunder shall have been made, the Borrower will deliver to CFC a written statement, in form and substance satisfactory to CFC, signed by the Borrower's General Manager or Chief Executive Officer, stating that during such year, and that to the best of said person's knowledge, the Borrower has fulfilled all of its obligations under this Agreement, the Project Agreement, the Note, and the Mortgage throughout such year or, if there has been a default in the fulfillment of any such obligations, specifying each such default known to said person and the nature and status thereof.

(ii) The Borrower shall deliver to CFC within one hundred twenty (120) days of CFC's written request, which shall be no more frequently than once every year, a certification, in form and substance satisfactory to CFC, regarding the condition of the Mortgaged Property prepared by a professional engineer satisfactory to CFC. The Borrower shall also deliver to CFC such other information as CFC may reasonably request from time to time.

**F. Loan Capital Term Certificate Purchase.** The Borrower will purchase LCTCs, if required, in an amount calculated pursuant to CFC's policies of general application and shall pay for such LCTCs as required thereby. CFC's policies with respect to such LCTCs are set forth in Schedule 1.

**G. Financial Books; Financial Reports; Right of Inspection.** The Borrower will at all times keep, and safely preserve, proper books, records and accounts in which full and true entries will be made of all of the dealings, business and affairs of the Borrower, in accordance with Accounting Requirements. When requested by CFC, the Borrower will prepare and furnish CFC from time to time, periodic financial and statistical reports on its condition and operations. All of such reports shall be in such form and include such information as may be specified by CFC. Within one hundred twenty (120) days of the end of each calendar year during the term hereof, the Borrower shall furnish to CFC a full and complete report of its financial condition and statement of its operations as of the end of such calendar year, in form and substance satisfactory to CFC. In addition, within one hundred twenty (120) days of the end of each the Borrower's fiscal years during the term hereof, the Borrower shall furnish to CFC a full and complete consolidated and consolidating report of its financial condition and statement of its operations as of the end of such fiscal year,

audited and certified by independent certified public accountants nationally recognized or otherwise satisfactory to CFC and accompanied by a report of such audit in form and substance satisfactory to CFC, including without limitation a consolidated and consolidating balance sheet and the related consolidated and consolidating statements of income and cash flow. CFC, through its representatives, shall at all times during reasonable business hours and upon prior notice have access to, and the right to inspect and make copies of, any or all books, records and accounts, and any or all invoices, contracts, leases, payrolls, canceled checks, statements and other documents and papers of every kind belonging to or in the possession of the Borrower or in anyway pertaining to its property or business.

H. **Notice of Additional Secured Debt.** The Borrower will notify CFC promptly in writing if it incurs any additional secured indebtedness other than indebtedness to CFC or indebtedness otherwise provided for in the Mortgage.

I. **Funds Requisition.** The Borrower agrees (i) that CFC may rely conclusively upon the written instructions submitted to CFC in the Borrower's written request for an Advance hereunder, (ii) that such instructions shall constitute a covenant under this Agreement to repay the Advance in accordance with such instructions, the applicable Note, the Mortgage, the Project Agreement and this Agreement, and (iii) to request Advances only for the purposes set forth in Schedule 1 hereto.

J. **Compliance With Laws.** The Borrower and each Subsidiary shall remain in compliance, in all material respects, with all applicable requirements of law and applicable rules and regulations of each Governmental Authority.

K. **Taxes.** The Borrower shall pay, or cause to be paid all taxes, assessments or governmental charges lawfully levied or imposed on or against it and its properties prior to the time they become delinquent, except for any taxes, assessments or charges that are being contested in good faith and with respect to which adequate reserves as determined in good faith by the Borrower have been established and are being maintained.

L. **Further Assurances.** The Borrower shall execute any and all further documents, financing statements, agreements and instruments, and take all such further actions (including the filing and recording of financing statements, fixture filings, mortgages, deeds of trust and other documents), which may be required under any applicable law, or which CFC may reasonably request, to effectuate the transactions contemplated by the Loan Documents or to grant, preserve, protect or perfect the Liens created or intended to be created thereby. The Borrower also agrees to provide to CFC, from time to time upon request, evidence reasonably satisfactory to CFC as to the perfection and priority of the Liens created or intended to be created by the Loan Documents.

M. **Environmental Covenants.** Borrower shall:

(i) at its own cost, comply in all material respects with all applicable Environmental Laws, including, but not limited to, any required remediation; and

(ii) if it receives any written communication alleging Borrower's violation of any Environmental Law, provide CFC with a copy thereof within ten (10) Business Days after receipt, and promptly take appropriate action to remedy, cure, defend, or otherwise affirmatively respond to the matter.

N. **Limitations on Loans, Investments and Other Obligations.** The aggregate amount of all purchases, investments, loans, guarantees, commitments and other obligations described in

Section 5.02.D(i) of this Agreement shall at all times be less than fifteen percent (15%) of Total Utility Plant or fifty percent (50%) of Equity, whichever is greater.

**O. Tax Status of the CREBs.** The Borrower shall utilize the Project or cause it to be utilized as provided in the Project Agreement until the CREB Maturity Date. No use will be made of the proceeds of the CREBs other than as set forth herein and in the Project Agreement and no changes will be made in the Project or in the operation or beneficial use thereof (including, without limiting the generality of the foregoing, the use of the Project by the Borrower or any related person) without an opinion of Bond Counsel that such a use or change will not adversely affect the eligibility of the CREBs to qualify for a tax credit for the owner thereof, for federal income tax purposes. The Borrower agrees and warrants that it will not take or authorize or permit any action to be taken and has not taken or authorized or permitted any action to be taken and will not fail to take any action to comply with the Project Agreement which adversely affects the eligibility of the CREBs to qualify for a tax credit for the owner thereof, for federal income tax purposes. This agreement and warranty shall survive the termination of this Agreement.

**P. Completion Certificate.** The Borrower shall submit to CFC within 30 days after the completion of the Project, a Completion Certificate signed by an Authorized Officer of the Borrower.

**Q. Termination Certificate.** If the Borrower determines that the Project will not be completed as described in Section 5.01.P above, then the Borrower shall submit to CFC a Termination Certificate, within 30 days of a determination that:

(i) no further acquisition, construction or installation will occur with respect to the Project; and

(ii) the Borrower does not intend to make any further Advances.

**R. Other Information.** The Borrower shall furnish such other information as CFC may reasonably require relating to the Project.

**Section 5.02 Negative Covenants.** The Borrower covenants and agrees with CFC that until payment in full of the Note and performance of all obligations of the Borrower hereunder, the Borrower will not, directly or indirectly, without CFC's prior written consent:

**A. Limitations on Mergers.** Consolidate with, merge, or sell all or substantially all of its business or assets, or enter into an agreement for such consolidation, merger or sale, to another entity or person unless such action is either approved, as is evidenced by the prior written consent of CFC, or the purchaser, successor or resulting corporation is or becomes a member in good standing of CFC and assumes the due and punctual payment of the Note and the due and punctual performance of the covenants contained in the Mortgage and this Agreement.

**B. Limitations on Sale, Lease or Transfer of Capital Assets; Application of Proceeds.** Sell, lease or transfer (or enter into an agreement to sell, lease or transfer) any capital asset, except in accordance with this Section 5.02.B. If no Event of Default (and no event which with notice or lapse of time and notice would become an Event of Default) shall have occurred and be continuing, the Borrower may, without the prior written consent of CFC, sell, lease or transfer (or enter into an agreement to sell, lease or transfer) any capital asset in exchange for fair market value consideration paid to the Borrower if the value of such capital asset is less than five percent (5%) of Total Utility Plant and the aggregate value of capital assets sold, leased or transferred in any 12-month period is less than ten percent (10%) of Total Utility Plant.

**C. Limitation on Dividends, Patronage Refunds and Other Distributions.**

(i) Make Distributions in any calendar year if, after giving effect to the Distribution, the total Equity of the Borrower will be less than twenty percent (20%) of its Total Assets.

(ii) If, after giving effect to the Distribution, the total Equity of the Borrower will be less than twenty percent (20%) of its Total Assets, then the Borrower may nevertheless make Distributions of up to thirty percent (30%) of its total margins for the preceding calendar year.

(iii) Notwithstanding anything to the contrary in subparagraphs (i) and (ii) above, the Borrower shall not make any Distribution without the prior written consent of CFC if an Event of Default under this Agreement has occurred and is continuing.

**D. Limitations on Loans, Investments and Other Obligations.**

(i) (a) Purchase, or make any commitment to purchase, any stock, bonds, notes, debentures, or other securities or obligations of or beneficial interests in, (b) make, or enter into a commitment to make, any other investment, monetary or otherwise, in, (c) make, or enter into a commitment to make, any loan to, or (d) guarantee, assume, or otherwise become liable for, or enter into a commitment to guarantee, assume, or otherwise become liable for, any obligation of any Person if, after giving effect to such purchase, investment, loan, guarantee or commitment, the aggregate amount thereof would exceed the greater of fifteen percent (15%) of Total Utility Plant or fifty percent (50%) of Equity.

(ii) The following shall not be included in the limitation of purchases, investments, loans and guarantees in (i) above: (a) bonds, notes, debentures, stock, or other securities or obligations issued by or guaranteed by the United States or any agency or instrumentality thereof; (b) bonds, notes, debentures, stock, commercial paper, subordinated capital certificates, or any other security or obligation issued by CFC or by institutions whose senior unsecured debt obligations are rated by at least two nationally recognized rating organizations in either of their two highest categories; (c) investments incidental to loans made by CFC; (d) any deposit that is fully insured by the United States; (e) loans and grants made by any Governmental Authority to the Borrower under any rural economic development program, but only to the extent that such loans and grants are non-recourse to the Borrower; and (f) unretired patronage capital allocated to the Borrower by CFC, a cooperative from which the Borrower purchases electric power, or a statewide cooperative association of which Borrower is a member.

(iii) In no event may the Borrower take any action pursuant to subsection (i) if an Event of Default under this Agreement has occurred and is continuing,

**E. Organizational Change.** Change its type of organization or other legal structure, except as permitted by Section 5.02.A. hereof, in which case the Borrower shall provide at least 30 days prior written notice to CFC together with all documentation reflecting such change as CFC may reasonably require.

**F. Notice of Change in Borrower Information.** Change its (i) state of incorporation, (ii) legal name, (iii) mailing address, or (iv) organizational identification number, if it has one, unless the Borrower provides written notice to CFC at least thirty (30) days prior to the effective date of any such change together with all documentation reflecting any such change as CFC may reasonably require.

## ARTICLE VI

## EVENTS OF DEFAULT

**Section 6.01** The following shall be "Events of Default" under this Agreement:

**A. Representations and Warranties.** Any representation or warranty made by the Borrower herein, or in any of the other Loan Documents, or in any certificate or financial statement furnished to CFC hereunder or under any of the other Loan Documents shall prove to be false or misleading in any material respect.

**B. Payment.** The Borrower shall fail to pay (whether upon stated maturity, by acceleration, or otherwise) any principal, interest, premium (if any) or other amount payable under the Note and the Loan Documents within five (5) Business Days after the due date thereof.

**C. Other Covenants.**

**(i) No Grace Period.** Failure of the Borrower to observe or perform any covenant or agreement contained in the Project Agreement or in Sections 5.01.A, 5.01.B, 5.01.D, 5.01.E, 5.01.G, 5.01.I, 5.01.N, 5.01.O and 5.02 of this Agreement.

**(ii) Thirty Day Grace Period.** Failure of the Borrower to observe or perform any other covenant or agreement contained in this Agreement or any of the other Loan Documents, which shall remain unremedied for thirty (30) calendar days after written notice thereof shall have been given to the Borrower by CFC.

**D. Legal Existence, Permits and Licenses.** The Borrower shall forfeit or otherwise be deprived of (i) its authority to conduct business in the jurisdiction in which it is organized or in any other jurisdiction where such authority is required in order for the Borrower to conduct its business in such jurisdiction or (ii) permits, easements, consents or licenses required to carry on any material portion of its business.

**E. Other CFC Obligations.** The Borrower shall be in breach or default of any Obligation, which breach or default continues uncured beyond the expiration of any applicable grace period.

**F. Other Obligations.** The Borrower shall (i) fail to make any payment of any principal, premium or any other amount due or interest on any indebtedness with parties other than CFC which shall remain unpaid beyond the expiration of any applicable grace period, or (ii) be in breach or default with respect to any other term of any evidence of any other indebtedness with parties other than CFC or of any loan agreement, mortgage or other agreement relating thereto which breach or default continues uncured beyond the expiration of any applicable grace period, if the effect of such failure, default or breach is to cause the holder or holders of that indebtedness to cause that indebtedness to become or be declared due prior to its stated maturity (upon the giving or receiving of notice, lapse of time, both or otherwise).

**G. Involuntary Bankruptcy.** An involuntary case or other proceeding shall be commenced against the Borrower seeking liquidation, reorganization or other relief with respect to it or its debts under bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property and such involuntary case or other proceeding shall continue without dismissal or

stay for a period of sixty (60) days; or an order for relief shall be entered against the Borrower under the federal bankruptcy laws or applicable state law as now or hereafter in effect.

**H. Insolvency.** The Borrower shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall admit in writing its inability to, or be generally unable to, pay its debts as they become due, or shall take any action to authorize any of the foregoing.

**I. Dissolution or Liquidation.** Other than as provided in subsection H. above, the dissolution or liquidation of the Borrower, or failure by the Borrower promptly to forestall or remove any execution, garnishment or attachment of such consequence as will impair its ability to continue its business or fulfill its obligations and such execution, garnishment or attachment shall not be vacated within sixty (60) days. The term "dissolution or liquidation of the Borrower", as used in this subsection, shall not be construed to include the cessation of the corporate existence of the Borrower resulting either from a merger or consolidation of the Borrower into or with another corporation following a transfer of all or substantially all its assets as an entirety, under the conditions set forth in Section 5.02.A.

**J. Material Adverse Change.** Any material adverse change in the business or condition, financial or otherwise, of the Borrower.

**K. Monetary Judgment.** The Borrower shall suffer any money judgment not covered by insurance, writ or warrant of attachment or similar process involving an amount in excess of $100,000 and shall not discharge, vacate, bond or stay the same within a period of sixty (60) days.

**L. Nonmonetary Judgment.** One or more nonmonetary judgments or orders (including, without limitation, injunctions, writs or warrants of attachment, garnishment, execution, distraint, replevin or similar process) shall be rendered against the Borrower that, either individually or in the aggregate, could reasonably be expected to have a material adverse effect upon the business, operations, prospects, assets, liabilities or financial condition of the Borrower.

## ARTICLE VII

## REMEDIES

**Section 7.01** If any of the Events of Default listed in Section 6 hereof shall occur after the date of this Agreement and shall not have been remedied within the applicable grace periods specified therein, then CFC may:

(i) Cease making Advances hereunder;

(ii) Declare all unpaid principal outstanding on the Note, all accrued and unpaid interest thereon, and all other Obligations to be immediately due and payable and the same shall thereupon become immediately due and payable without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived;

(iii) Exercise rights of setoff or recoupment and apply any and all amounts held, or hereby held, by CFC or owed to the Borrower or for the credit or account of the Borrower against any and all of the Obligations of the Borrower now or hereafter existing hereunder or under the Note, including, but not limited to, patronage capital allocations and retirements, money due to Borrower from equity certificates purchased from CFC, and any membership or other fees that would otherwise be returned to Borrower but excluding any LCTCs purchased by the Borrower pursuant to this Agreement. The rights of CFC under this section are in addition to any other rights and remedies (including other rights of setoff or recoupment) which CFC may have. The Borrower waives all rights of setoff, deduction, recoupment or counterclaim;

(iv) Pursue all rights and remedies available to CFC that are contemplated by the Mortgage and the other Loan Documents in the manner, upon the conditions, and with the effect provided in the Mortgage and the other Loan Documents, including, but not limited to, a suit for specific performance, injunctive relief or damages;

(v) Pursue any other rights and remedies available to CFC at law or in equity.

Nothing herein shall limit the right of CFC to pursue all rights and remedies available to a creditor following the occurrence of an Event of Default. Each right, power and remedy of CFC shall be cumulative and concurrent, and recourse to one or more rights or remedies shall not constitute a waiver of any other right, power or remedy.

## ARTICLE VIII

## MISCELLANEOUS

**Section 8.01 Notices.** All notices, requests and other communications provided for herein including, without limitation, any modifications of, or waivers, requests or consents under, this Agreement shall be given or made in writing (including, without limitation, by telecopy) and delivered to the intended recipient at the "Address for Notices" specified below; or, as to any party, at such other address as shall be designated by such party in a notice to each other party. All such communications shall be deemed to have been duly given (i) when personally delivered including, without limitation, by overnight mail or courier service, (ii) in the case of notice by United States mail, certified or registered, postage prepaid, return receipt requested, upon receipt thereof, or (iii) in the case of notice by telecopy, upon transmission thereof, provided such transmission is promptly confirmed by either of the methods set forth in clauses (i) or (ii) above in each case given or addressed as provided for herein. The Address for Notices of each of the respective parties is as follows:

National Rural Utilities Cooperative Finance Corporation
2201 Cooperative Way
Herndon, Virginia 20171-3025
Attention: Senior Vice President – Member Services
Fax # 703-709-6776

The Borrower:

The address set forth in
Schedule 1 hereto

**Section 8.02 Expenses.** Borrower shall reimburse CFC for any reasonable costs and out-of-pocket expenses paid or incurred by CFC (including, without limitation, reasonable fees and expenses of outside attorneys, paralegals and consultants) for all actions CFC takes, (a) to enforce the payment of any Obligation, to effect collection of any Mortgaged Property, or in preparation for such enforcement or collection, (b) to institute, maintain, preserve, enforce and foreclose on CFC's security interest in or Lien on any of the Mortgaged Property, whether through judicial proceedings or otherwise, (c) to restructure any of the Obligations, (d) to review, approve or grant any consents or waivers hereunder, (e) to prepare, negotiate, execute, deliver, review, amend or modify this Agreement, (f) to prepare, negotiate, execute, deliver, review, amend or modify any other agreements, documents and instruments deemed necessary or appropriate by CFC in connection with any of the foregoing, and (g) to obtain any opinions required to be furnished upon a Determination of Tax Credit Ineligibility and an extraordinary prepayment as set forth in Section 3.04 hereof or a rescission of excess money as set forth in Section 3.05 or a cancellation of excess moneys as set forth in Section 3.06.

The amount of all such expenses identified in this Section 8.02 shall be secured by the Mortgage and shall be payable upon demand, and if not paid, shall accrue interest at the Default Rate.

**Section 8.03 Late Payments.** If payment of any amount due hereunder is not received at CFC's office in Herndon, Virginia, or such other location as CFC may designate to the Borrower within five (5) Business Days after the due date thereof, the Borrower will pay to CFC, in addition to all other amounts due under the terms of the Loan Documents, any late payment charge as may be fixed by CFC from time to time pursuant to its policies of general application as in effect from time to time.

**Section 8.04. Non-Business Day Payments.** If any payment to be made by the Borrower hereunder shall become due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall be included in computing any interest in respect of such payment.

**Section 8.05 Filing Fees.** To the extent permitted by law, the Borrower agrees to pay all expenses of CFC (including the reasonable fees and expenses of its counsel) in connection with the filing, registration, recordation or perfection of the Mortgage and any other security instruments as may be required by CFC in connection with this Agreement, including, without limitation, all documentary stamps, recordation and transfer taxes and other costs and taxes incident to execution, filing, registration or recordation of any document or instrument in connection herewith. The Borrower agrees to save harmless and indemnify CFC from and against any liability resulting from the failure to pay any required documentary stamps, recordation and transfer taxes, recording costs, or any other expenses incurred by CFC in connection with this Agreement. The provisions of this subsection shall survive the execution and delivery of this Agreement and the payment of all other amounts due under the Loan Documents.

**Section 8.06 Waiver; Modification.** No failure on the part of CFC to exercise, and no delay in exercising, any right or power hereunder or under the other Loan Documents shall operate as a waiver thereof, nor shall any single or partial exercise by CFC of any right hereunder, or any abandonment or discontinuance of steps to enforce such right or power, preclude any other or further exercise thereof or the exercise of any other right or power. No modification or waiver of any provision of this Agreement, the Note or the other Loan Documents and no consent to any departure by the Borrower therefrom shall in any event be effective unless the same shall be in writing by the

party granting such modification, waiver or consent, and then such modification, waiver or consent shall be effective only in the specific instance and for the purpose for which given.

**SECTION 8.07 GOVERNING LAW; SUBMISSION TO JURISDICTION; WAIVER OF JURY TRIAL.**

(A) THE PERFORMANCE AND CONSTRUCTION OF THIS AGREEMENT AND THE NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE COMMONWEALTH OF VIRGINIA.

(B) THE BORROWER HEREBY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF THE UNITED STATES COURTS LOCATED IN VIRGINIA AND OF ANY STATE COURT SO LOCATED FOR PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. THE BORROWER IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTIONS THAT IT MAY NOW OR HEREAFTER HAVE TO THE ESTABLISHING OF THE VENUE OF ANY SUCH PROCEEDINGS BROUGHT IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

(C) THE BORROWER AND CFC EACH HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

**SECTION 8.08 INDEMNIFICATION.** THE BORROWER HEREBY INDEMNIFIES AND AGREES TO HOLD HARMLESS, AND DEFEND CFC AND ITS MEMBERS, DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, ATTORNEYS AND REPRESENTATIVES (EACH AN "INDEMNITEE") FOR, FROM, AND AGAINST ALL CLAIMS, DAMAGES, LOSSES, LIABILITIES, COSTS, AND EXPENSES (INCLUDING, WITHOUT LIMITATION, COSTS AND EXPENSES OF LITIGATION AND REASONABLE ATTORNEYS' FEES) ARISING FROM ANY CLAIM OR DEMAND IN RESPECT OF THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS, THE MORTGAGED PROPERTY, OR THE TRANSACTIONS DESCRIBED IN THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS AND ARISING AT ANY TIME, WHETHER BEFORE OR AFTER PAYMENT AND PERFORMANCE OF ALL OBLIGATIONS UNDER THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS IN FULL, EXCEPTING ANY SUCH MATTERS ARISING SOLELY FROM THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF CFC OR ANY INDEMNITEE INCLUDING WITHOUT LIMITATION ANY DETERMINATION MADE OR OTHER ACTION TAKEN BY CFC PURSUANT TO SECTIONS 3.04, 3.05 and 3.06 OF THIS AGREEMENT. NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN SECTION 8.10 HEREOF, THE OBLIGATIONS IMPOSED UPON THE BORROWER BY THIS SECTION SHALL SURVIVE THE REPAYMENT OF THE NOTE, THE TERMINATION OF THIS AGREEMENT AND THE TERMINATION OR RELEASE OF THE LIEN OF THE MORTGAGE.

**Section 8.09 Complete Agreement.** This Agreement, together with the schedules to this Agreement, the Note and the other Loan Documents, and the other agreements and matters referred to herein or by their terms referring hereto, is intended by the parties as a final expression of their agreement and is intended as a complete statement of the terms and conditions of their agreement. In the event of any conflict in the terms and provisions of this Agreement and any other Loan Documents, the terms and provisions of this Agreement shall control.

**Section 8.10 Survival; Successors and Assigns.** All covenants, agreements, representations and warranties of the Borrower which are contained in this Agreement shall survive the execution and delivery to CFC of the Loan Documents and the making of the Loan hereunder and shall continue in full force and effect until all of the obligations under the Loan Documents have been paid in full. All covenants, agreements, representations and warranties of the Borrower which are contained in this Agreement shall inure to the benefit of the successors and assigns of CFC. The Borrower shall not have the right to assign its rights or obligations under this Agreement without the prior written consent of CFC, except as provided in Section 5.02.A hereof.

**Section 8.11 Use of Terms.** The use of the singular herein shall also refer to the plural, and vice versa.

**Section 8.12 Headings.** The headings and sub-headings contained in this Agreement are intended to be used for convenience only and do not constitute part of this Agreement.

**Section 8.13 Severability.** If any term, provision or condition, or any part thereof, of this Agreement, the Note or the other Loan Documents shall for any reason be found or held invalid or unenforceable by any governmental agency or court of competent jurisdiction, such invalidity or unenforceability shall not affect the remainder of such term, provision or condition nor any other term, provision or condition, and this Agreement, the Note and the other Loan Documents shall survive and be construed as if such invalid or unenforceable term, provision or condition had not been contained therein.

**Section 8.14 Binding Effect.** This Agreement shall become effective when it shall have been executed by both the Borrower and CFC and thereafter shall be binding upon and inure to the benefit of the Borrower and CFC and their respective successors and assigns.

**Section 8.15 Counterparts.** This Agreement may be executed in one or more counterparts, each of which will be deemed an original and all of which together will constitute one and the same document. Signature pages may be detached from the counterparts and attached to a single copy of this Agreement to physically form one document.

**Section 8.16 Disclosure.** This Agreement and any other Loan Document may be shared by CFC with such Persons as shall be required in order to facilitate the issuance of the CREBs, including, but not limited to, its attorneys, underwriters and investors in the CREBs.

**Section 8.17 Schedule 1.** Schedule 1 attached hereto is an integral part of this Agreement.

**IN WITNESS WHEREOF,** the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

SULPHUR SPRINGS VALLEY
ELECTRIC COOPERATIVE, INC.

(SEAL)

By: Gene Manning

Title: President

Attest: Creden W. Huber
~~Secretary~~
CREDEN W. HUBER
CHIEF EXECUTIVE OFFICER

NATIONAL RURAL UTILITIES
COOPERATIVE FINANCE CORPORATION

(SEAL)

By: Marianne Dusold
Assistant Secretary-Treasurer

MARIANNE L DUSOLD

Attest: [signature]
Assistant Secretary-Treasurer

CRAIG COLANTONI

## SCHEDULE 1

1. The purpose of this loan is to finance (i) the reimbursement of the cost of the Project of the Borrower, including any reasonable costs and expenses incurred by the Borrower in connection with financing the Project, as described and permitted by the terms of the Project Agreement and (ii) a portion of CFC's costs in issuing the CREBs as set forth in Section 3.02.A.

2. The Project of the Borrower being financed by the Loan (funded by proceeds of the CREBs) constitutes the following clean renewable energy facilities:

   Pearce Elementary School District Photovoltaic Solar Automobile Parking Shade Structure

   This project will place photovoltaic modules costing $280,000 each, that will produce 23 kW of electricity in the shade structures in the two Pearce Elementary School District schools. The PV structure will provide electricity to the respective school with excess power flowing to the Borrower's system.

3. Subject to the terms of this Agreement, CFC has agreed to loan to the Borrower from proceeds of the CREBs, an amount not to exceed $560,000.00 (the "CFC Commitment").

4. Draw Period shall mean the period beginning on the Closing Date and ending on the date that is five (5) years thereafter.

5. The Borrower shall not purchase the LCTCs or any portion thereof with funds from the Loan. The Borrower shall use its own funds or funds borrowed under another credit facility to purchase such LCTCs, subject to the CFC policies regarding LCTCs set forth in the following paragraph.

   **CFC Policies Regarding LCTCs:** (i) Any solvent Member of CFC with an outstanding LCTC purchased in connection with a loan from the proceeds of Securities may borrow the outstanding amount of the LCTC from CFC without a further credit review, for a term equal to or shorter than the maturity of the LCTC at a rate equal to the comparable rate charged by CFC for similarly classified loans; and (ii) any Member of CFC with an outstanding LCTC purchased in connection with a loan from the proceeds of Securities may sell such LCTC to another Member of CFC for consideration.

6. The Mortgage shall mean the Restated Mortgage and Security Agreement, dated as of December 6, 2007, between the Borrower and CFC, as it may have been supplemented, amended, consolidated, or restated from time to time.

7. The Note executed pursuant hereto is as follows:

| LOAN NUMBER | AMOUNT |
|---|---|
| AZ014-A-9044-CB001 | $560,000.00 |

8. The Subsidiaries of the Borrower referred to in Section 2.01.B. are: None

9. The date of the Borrower's balance sheet referred to in Section 2.01.H is June 30, 2006.

10. The Borrower's exact legal name is: Sulphur Springs Valley Electric Cooperative, Inc.

11. The Borrower's organizational type is: Corporation

12. The Borrower is organized under the laws of the state of: Arizona

13. The Borrower's organizational identification number is: 0038220-2

14. The place of business or, if more than one, the chief executive office of the Borrower referred to in Section 2.01.I is 311 East Wilcox, Sierra Vista, Arizona 85635.

15. The Governmental Authority referred to in Section 2.01.J. is: Arizona Corporation Commission

16. The address for notices to the Borrower referred to in Section 8.01 is 311 East Wilcox, Sierra Vista, Arizona 85635, Attention: General Manager, Fax: (520) 384-5223.

## Exhibit A - Funds Requisition Statement

Borrower Name & ID: Sulphur Springs Valley Electric Cooperative, Inc. (AZ014)
Loan Number: AZ014-A-9044-CB001
Loan Agreement and Project Agreement with CFC dated:
CREBs Series: 2008A
CFC CREBs Application #: 14
Name of Project: Pearce Elementary School District Photovoltaic Solar Automobile Parking Shade Structure
Funds Requisition Statement No.:

**Amount Requested:**
**Date Of Advance:**

**Disposition of Funds (wiring instructions):**

### Certification

Acting on behalf of the Borrower, I hereby certify that as of the date below: (1) I am duly authorized to make this certification and to request funds on the terms specified herein; (2) the Borrower has met all of the conditions contained in the Loan Agreement and the Project Agreement listed above governing the terms of this Advance that the Borrower is required to meet prior to an Advance of funds; (3) all of the representations and warranties contained in said Loan Agreement and Project Agreement are true and will continue to be true upon use of the funds as hereby requested; (4) no Event of Default, under the Loan Agreement or the Borrower's Mortgage, has occurred and is continuing; (5) I know of no other event that has occurred which, with the lapse of time and/or notification to CFC of such event, or after giving effect to this Advance, would become an Event of Default under the Loan Agreement or the Borrower's Mortgage; (6) the funds requested herein will be used only as a reimbursement for the purposes specified in the Loan Agreement and the Project Agreement; (7) the costs to be reimbursed by the funds requested herein are capital expenditures and have not previously been reimbursed under a previous Funds Requisition Statement; (8) the Borrower has secured sufficient funds to complete the Project; (9) any necessary permits and approvals required for the Project at this point have been obtained; (10) the Borrower is maintaining a file containing true and correct copies of invoices or bills of sale covering all items for which payment is sought by this request; (11) such costs have been incurred and paid by the Borrower in connection with the Project; (12) the Borrower is not using the funds requested hereby to make any payments of principal or interest due under the Loan Agreement; (13) no expenditure which is being reimbursed by the funds requested hereby was paid more than eighteen months after the later of (i) the date the expenditure is paid or (ii) the date the Project is placed in service, but in no event later than three years after the date the original expenditure was paid; and (14) set forth below is a table listing all of the major components of the Project, how much is being requested in this Funds Requisition Statement as an advance for certain components, how much has been

advanced on each component to date, the percentage of each component that is completed to date, and the purpose of the advance(s) being requested by this Funds Requisition Statement.

I hereby authorize CFC, for and on behalf of the Borrower, to forward this Funds Requisition Statement to the Trustee for disbursement of the Advance from the Project Account relating to the above Loan to the Borrower on the following terms, and hereby acknowledge and agree that such terms shall be binding upon Borrower under the provisions of the Loan Agreement governing this Advance:

| Project Component | Amount Expended to Date by Borrower | Amount Advanced to Date | Advance Amount Requested Herein | Percentage Complete |
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| Total | | | | |

Certified By:

_____ _____ _____

Signature Date Title of Authorized Officer

**PLEASE FAX TO 703-709-6776 ATTN: _____, Associate Vice President**

APPROVED:

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION

By: _____
Title: _____
Date: _____

**EXHIBIT B**

**BRING-DOWN CERTIFICATE**
**OF**
**BORROWER**

The undersigned, _____, duly qualified officers of SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (the *"Borrower"*), an Arizona corporation, hereby certify as follows:

1. The following documents have been duly executed, and delivered or accepted in the name and on behalf of the Borrower by the authorized officer or officers of the Borrower pursuant to, and in full compliance with, authority granted by the Board of Trustees/Directors of the Borrower:

| DOCUMENT | DATE | OTHER PARTY OR PARTIES |
|---|---|---|
| Loan Agreement (the *"Agreement"*) | _____, 200_ | National Rural Utilities Cooperative Finance Corporation (*"CFC"*) |
| Project Agreement (the *"Project Agreement"*) | _____, 200_ | |
| Note (the *"Note"*) | _____, 200_ | |

2. Each of the representations and warranties of the Borrower in the Loan Agreement and the Project Agreement are true and correct on and as of the date hereof (the *"Closing Date"*), and the Borrower has complied with all agreements and satisfied all conditions on its part to be observed or satisfied thereunder at or prior to the Closing Date.

IN WITNESS WHEREOF, the undersigned have hereunto set their signatures this ____ day of _____, 2008.

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

By _____
Title:

By _____
Title:

**EXHIBIT C**

**COMPLETION CERTIFICATE**
**OF**
**BORROWER**

Pursuant to the Loan Agreement dated as of _____ by and between SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (the "Borrower") and National Rural Utilities Cooperative Finance Corporation ("CFC") relating to CFC Loan Number AZ014-A-9044-CB001 (the "Loan Agreement"), the undersigned, _____, duly qualified officer of the Borrower, hereby certifies as follows:

(i) On [date of completion] all portions of the Project (as defined in the Loan Agreement) have been fully completed substantially in accordance with any plans and specifications therefore, as then amended; and

(ii) Amount advanced on the Loan (as defined in the Loan Agreement) and the use of the property financed, refinanced or reimbursed therefrom will not cause any of the representations or certifications contained in the Project Agreement (as defined in the Loan Agreement) to be untrue or result in a violation of any covenant in the Project Agreement.

IN WITNESS WHEREOF, the undersigned have hereunto set his/her signature this ____ day of _____, 20____.

SULPHUR SPRINGS VALLEY ELECTRIC
COOPERATIVE, INC.

By _____
Title:

**EXHIBIT D**

**TERMINATION CERTIFICATE**
**OF**
**BORROWER**

Pursuant to the Loan Agreement dated as of _____ by and between SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (the "Borrower") and National Rural Utilities Cooperative Finance Corporation ("CFC") relating to CFC Loan Number AZ014-A-9044-CB001 (the "Loan Agreement"), the undersigned, _____, duly qualified officer of the Borrower, hereby certifies as follows:

(i) all portions of the Project (as defined in the Loan Agreement) have not been fully completed substantially in accordance with any plans and specifications therefor, as then amended;

(ii) no further acquisition, construction or installation will occur with respect to the Project (as defined in the Loan Agreement); and

(iii) the Borrower does not intend to request any further Advances (as defined in the Loan Agreement) on the Loan (as defined in the Loan Agreement).

IN WITNESS WHEREOF, the undersigned have hereunto set his/her signature this ____ day of _____, 20____.

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

By _____
Title:

**SECURED PROMISSORY NOTE**

$280,000.00 dated as of 12/21/2007

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC., an Arizona corporation (the "Borrower"), for value received, hereby promises to pay, without setoff, deduction, recoupment or counterclaim, to the order of NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION (the "Payee"), at its office in Herndon, Virginia office or such other location at its office in Herndon, Virginia or such other location as the Payee may designate to the Borrower, in lawful money of the United States, the principal sum of TWO HUNDRED EIGHTY THOUSAND AND 00/100 DOLLARS ($280,000.00), or such lesser sum of the aggregate unpaid principal amount of all advances made by the Payee pursuant to that certain Loan Agreement dated as of even date herewith between the Borrower and the Payee, as it may be amended from time to time (herein called the "Loan Agreement"), and to pay interest on all amounts remaining unpaid hereunder from the date of each advance in like money, at said office, at the rate and in amounts and payable on the dates provided in the Loan Agreement together with any other amount payable under the Loan Agreement. If not sooner paid, any balance of the principal amount and interest accrued thereon shall be due and payable on the Maturity Date.

This Note is secured under a Restated Mortgage and Security Agreement, dated of December 6, 2007 between the Borrower and the Payee, as it may have been or shall be supplemented, amended, consolidated or restated from time to time ("Mortgage"). This Note is one of the Notes referred to in, and has been executed and delivered pursuant to, the Loan Agreement.

The principal hereof and interest accrued thereon and any other amount due under the Loan Agreement may be declared to be forthwith due and payable in the manner, upon the conditions, and with the effect provided in the Mortgage or the Loan Agreement.

The Borrower waives demand, presentment for payment, notice of dishonor, protest, notice of protest, and notice of non-payment of this Note.

IN WITNESS WHEREOF the Borrower has caused this Note to be signed in its corporate name and its corporate seal to be hereunto affixed and to be attested by its duly authorized officers, all as of the day and year first above written.

SULPHUR SPRINGS VALLEY
ELECTRIC COOPERATIVE, INC.

(SEAL)

By: Gene Manning

Title: President

Attest: _____
Secretary

CREDEN W. HUBER
CHIEF EXECUTIVE OFFICER

Loan No. AZ014-A-9045-CB001

CFC NOTE
AZ014-A-9045-CB001 (JABLONJ)
116042-2

**PROJECT AGREEMENT**

**OF**

**SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (THE *"BORROWER"*)**

DATED: as of 12/21/07

The undersigned is a duly qualified officer of the Borrower named above and, as such officer, is familiar with (i) the properties, affairs and records of the Borrower, (ii) the issuance of the Securities (as hereinafter defined) and the use of the proceeds thereof as it relates to the Borrower and (iii) the Project, as hereinafter defined.

In connection with the issuance of the Clean Renewable Energy Bonds (Cooperative Renewable Energy Projects) Series 2008A (the *"Securities"*), being issued by the National Rural Utilities Cooperative Finance Corporation (the *"Issuer"*), the undersigned hereby certifies and covenants regarding the use of the proceeds of the Securities advanced to the Borrower, as follows:

1. General.

1.1 This Project Agreement is made pursuant to Section 54 of the Internal Revenue Code of 1986, as amended (the *"Code"*), and any United States Treasury regulations and other guidance thereunder to make the certifications required by Section 54 of the Code and any United Stares Treasury regulations and other guidance thereunder and to establish the reasonable expectations of the Borrower with respect to the amount and use of amounts to be advanced to the Borrower pursuant to the Loan Agreement dated as of even date herewith between the Issuer and the Borrower (the *"Loan Agreement"*). Capitalized terms used herein are defined where they first appear or are defined in *Exhibit A* attached hereto.

1.2 This Project Agreement is based on facts and estimates in existence on the date hereof and the continued veracity of these facts and estimates as of the date that the Securities are issued (the *"Closing"*) will be confirmed by the Borrower on the date of Closing, and on the basis of such facts and estimates, the Borrower expects that the events described herein will occur. To the best of the undersigned's knowledge, information, and belief, the expectations contained in this Project Agreement are reasonable.

1.3 The Borrower is a Qualified Borrower, as defined in *Exhibit A,* and is responsible for the acquiring/constructing/equipping of the Project (defined below). The undersigned has reviewed this Project Agreement, as well as the provisions of Section 54 of the Code and any United States Treasury regulations and other guidance thereunder, with its own legal counsel and understands and is familiar with this Project Agreement and the provisions of Section 54 and any United States Treasury regulations and other guidance thereunder. The Borrower will

comply in all respects with the provisions of Section 54 and any United States Treasury regulations and other guidance thereunder.

1.4 The Borrower agrees to keep and retain or cause to be kept and retained sufficient records to demonstrate compliance with the covenants in this Project Agreement. Such records shall include, but are not limited to, basic records relating to the issuance of the Securities (including this Project Agreement and the inducement resolution as described in Section 3.3 hereof); documentation evidencing the expenditure of amounts advanced to the Borrower pursuant to the Loan Agreement; documentation evidencing the use of property financed with amounts advanced to the Borrower pursuant to the Loan Agreement; and documentation evidencing all sources of payment or security maintained by the Borrower for amounts advanced to the Borrower pursuant to the Loan Agreement. Such records shall be kept until the date three (3) years after the CREB Maturity Date.

1.5 Neither the Borrower nor any Related Person (as defined in Exhibit A) to the Borrower will purchase any Securities.

2. Qualified Project.

2.1 The Loan Agreement requires the amounts advanced thereunder to be used for facilities to be owned by the Borrower, described in more detail in Section 2.2 hereof and in *Exhibit B* attached hereto as the "Updated Description of the Project" (the *"Project"*). The Project was originally described in an exhibit to the Application for National Clean Renewable Energy Bond Limitation submitted to the Internal Revenue Service by the Issuer in support of the national clean renewable energy bond allocation received by the Issuer, which "Original Description of the Project" is attached hereto as *Exhibit C*.

2.2 The Project is a Solar Energy Facility (the *"Qualifying Facility"*), as defined in *Exhibit A* and property functionally related and subordinate thereto, as further described in *Exhibit B*, attached hereto.

3. Clean Renewable Energy Bonds Qualification.

3.1 At least 95 percent of the proceeds advanced to the Borrower pursuant to the Loan Agreement will be used by the Borrower for capital expenditures with respect to the Project. None of the proceeds of the Loan (as defined in the Loan Agreement) will be paid to the Issuer, the Borrower or any Related Person to the Issuer or the Borrower, except for amounts paid to the Borrower to reimburse the Borrower for actual and direct expenditures relating to the Project paid by the Borrower to persons other than the Issuer, the Borrower or any Related Person to the Issuer or the Borrower.

3.2 The Borrower has incurred or will, within six months of the Closing Date, incur a substantial binding obligation (not subject to contingencies within the control of the Issuer, the Borrower or any Related Person to either of them) to a third party

to expend at least ten percent of the Loan Amount (*i.e.* the total amount to be advanced to the Borrower pursuant to the Loan Agreement). It is expected that the work of acquiring/constructing/equipping the Project and the expenditure of the Loan Amount will proceed with due diligence through August 18, 2008, at which time it is anticipated that the Loan Amount will have been spent in its entirety. The Borrower acknowledges that, to the extent that less than 95 percent of the Loan Amount is expended by a date five years from the date of issuance of the Securities, the Borrower will be required to prepay its Loan in an amount, and the Issuer will redeem Securities at the end of such five-year period in an amount, necessary to maintain the tax credit with respect to the Securities, unless otherwise permitted by Section 6.5 hereof.

It is expected that all amounts advanced to the Borrower under the Loan Agreement will be spent to pay costs of the Project in accordance with the estimated periodic drawdown schedule contained in *Exhibit D,* attached hereto. The assumptions set forth in this Section 3.2 and on *Exhibit D,* attached hereto, represent the Borrower's best estimate, as of this date, of the periodic drawdown schedule of the Loan Amount.

3.3 The Borrower may use amounts advanced to the Borrower under the Loan Agreement to reimburse itself for expenditures paid prior to the date of issuance of the Securities. The Borrower shall reimburse itself for expenditures paid prior to the date of issuance of the Securities only if such expenditure was paid after the Borrower adopted an inducement resolution, and the expenditure is described in such inducement resolution.

**The Borrower shall use proceeds of the Loan to reimburse itself for expenditures paid prior to the date the Securities were issued only if such reimbursement is made within eighteen months after the later of (i) the date the expenditure is paid or (ii) the date the Project is placed in service, but in no event later than three years after the date the original expenditure was paid.**

Except for any reimbursement allowed under this Section 3.3, no portion of the proceeds advanced to the Borrower will be used to pay for expenditures relating to acquiring existing facilities (as contrasted with costs of enhancements, repair or rehabilitation of existing facilities).

3.4 Neither the Project nor any portion thereof has been, is expected to be, or will be sold or otherwise disposed of, in whole or in part, prior to the last maturity date of the Securities.

3.5 The Borrower has entered into the Loan Agreement of even date hereof under which it is committed to borrow $280,000 from the Issuer of the Securities and the Borrower reasonably expects to borrow and expend the full amount of such commitment.

3.6 At least 75% of the Loan Amount is expected to be used for Construction Purposes.

3.7 The Borrower will not use proceeds of the Loan (i) to pre-pay for goods or services to be received over a period of years prior to the date such goods or services are to be received, or (ii) to pay for or otherwise acquire goods or services from an Affiliated Person, as defined in *Exhibit A*.

3.8 The Borrower shall at all times be a Qualified Borrower.

4. Remedial Action.

4.1 The Borrower agrees to operate the Project as a Qualifying Facility.

The Borrower acknowledges that if property financed with proceeds of the Securities advanced to the Borrower is operated in a manner other than as a Qualifying Facility such operation may constitute a "deliberate action" that may require remedial actions to prevent the tax credit being produced by the Securities from being disallowed.

The Borrower shall promptly contact the Issuer as provided in Section 6.3 hereof if it considers operating property financed with proceeds of the Loan other than as a Qualifying Facility.

4.2 The Borrower acknowledges that if property financed with proceeds of the Loan is sold or otherwise disposed of in a manner contrary to the provisions of Section 3.4 hereof, such sale or disposition may constitute a "deliberate action" that may require remedial actions to prevent the tax credit being produced by the Securities from being disallowed. If the Borrower considers the sale or other disposition of property financed with proceeds of the Loan, it shall promptly contact the Issuer, in the manner set forth in Section 6.3 hereof.

5. Funds and Accounts; Investments.

5.1 After the issuance of the Securities, neither the Borrower nor any Related Person to the Borrower has or will have any property, including cash, securities or any other property held as a passive vehicle for the production of income or for investment purposes, that constitutes:

(i) amounts that have a sufficiently direct nexus to the Securities or to the governmental purpose of the Securities to conclude that the amounts would have been used for that governmental purpose if the Securities were not used or to be used for that governmental purpose (the mere availability or preliminary earmarking of such amounts for a governmental purpose, however, does not itself establish such a sufficient nexus);

(ii) amounts in a debt service fund, redemption fund, reserve fund, replacement fund or any similar fund to the extent reasonably expected to be used directly or indirectly to pay principal of or interest on the Securities or any amounts for which there is provided, directly or indirectly, a reasonable assurance that the amount will be available to pay principal of or interest on the Securities or any credit enhancement or liquidity device with respect to the Securities, even if the Issuer, the Borrower or any Related Person to either of them encounter financial difficulties; or

(iii) any amounts held pursuant to any agreement (such as an agreement to maintain certain levels of types of assets) made for the benefit of the holders of the Securities or any credit enhancement provider, including any liquidity device or negative pledge (*e.g.*, any amount pledged to pay principal of or interest on an issue held under an agreement to maintain the amount at a particular level for the direct or indirect benefit of holders of the Securities or a guarantor of the Securities).

No compensating balance, liquidity account, negative pledge of property held for investment purposes required to be maintained at least at a particular level or similar arrangement exists with respect to, in any way, the Securities or any credit enhancement or liquidity device related to the Securities.

5.2 During the acquiring/constructing/equipping of the Project, the Borrower will only draw down amounts from the Issuer for capital expenditures already paid by the Borrower.

5.3 Neither the Borrower nor any Related Person to the Borrower will enter into any hedge (*e.g.*, an interest rate swap, interest rate cap, futures contract, forward contract or an option) with respect to the Loan or the Securities.

5.4 All property subject to the Mortgage is and will be used by the Borrower in the conduct of its trade or business. The Borrower reasonably expects to repay the Loan from current operating revenues. The Mortgage does not require that cash, securities, obligations, annuity contracts or other property held principally as a passive vehicle for the production of income be maintained, individually or collectively, at any particular level.

6. Miscellaneous.

6.1 This Project Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia.

6.2 Prior to the date 15 days before the Securities were sold, neither the Borrower nor any Related Person to the Borrower has sold or delivered any obligations that are reasonably expected to be paid out of substantially the same source of funds as the Securities. Neither the Borrower nor any Related Person to the Borrower will sell

or deliver within 15 days after the date hereof any obligations that are reasonably expected to be paid out of substantially the same source of funds as the Securities.

6.3 All notices provided for herein shall be given or made in writing (including, without limitation, by telecopy) and delivered to the Issuer at the "Address for Notices" specified below. All such communications shall be deemed to have been duly given (i) when personally delivered including, without limitation, by overnight mail or courier service, (ii) in the case of notice by United States mail, certified or registered, postage prepaid, return receipt requested, upon receipt thereof, or (iii) in the case of notice by telecopy, upon transmission thereof, provided such transmission is promptly confirmed by either of the methods set forth in clauses (i) or (ii) above in each case given or addressed as provided for herein. The Address for Notices of the Issuer is as follows:

National Rural Utilities Cooperative Finance Corporation
2201 Cooperative Way
Herndon, Virginia 20171-3025
Attention: Senior Vice President – Member Services
Fax #703-709-6776

6.4 The Borrower represents that it has not been contacted by the Internal Revenue Service or any issuer of bonds, the proceeds of which were loaned to the Borrower regarding any examination of any tax exempt bonds issued for the benefit of the Borrower. To the best of the knowledge of the Borrower, no such obligations of the Borrower are currently under examination by the Internal Revenue Service.

6.5 Any restriction or covenant contained herein need not be observed or may be changed if such nonobservance or change will not result in the loss of any tax credit under Section 54 of the Code for the purpose of federal income taxation to which the Securities is otherwise entitled and the Borrower receives an opinion of Bond Counsel to such effect and the Issuer agrees to such nonobservance or change.

6.6 If any clause, provision or section of this Project Agreement is ruled invalid by any court of competent jurisdiction, the invalidity of such clause, provision or section shall not affect any of the remaining clauses, sections or provisions hereof.

6.7 The terms, provisions, covenants and conditions of this Project Agreement shall bind and inure to the benefit of the respective successors and assigns of the Issuer and the Borrower.

6.8 This Project Agreement shall terminate on the date three (3) years after the CREB Maturity Date.

The undersigned acknowledge that this Project Agreement is given as a basis for an opinion of the law firm of Chapman and Cutler LLP, Chicago, Illinois, and such firm is hereby authorized to rely on this Project Agreement.

DATED as of the day and year first above written.

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

By Gene Manning

Title President

CFC DOC
AZ014-A-9045-CB001 (JABLONJ)
117514-1

## EXHIBIT A

## DEFINITIONS

*"Affiliated Person"* means any Person that (a) at any time during the six months prior to the Closing Date, (i) has more than five percent of the voting power of the governing body of the Issuer or the Borrower in the aggregate vested in its directors, officers, owners, and employees or (ii) has more than five percent of the voting power of its governing body in the aggregate vested in directors, officers, board members, owners, members or employees of the Issuer or the Borrower or (b) during the one-year period beginning six months prior to the Closing Date, (i) the composition of the governing body of which is modified or established to reflect (directly or indirectly) representation of the interests of the Issuer or the Borrower (or for which an agreement, understanding, or arrangement relating to such a modification or establishment during that one-year period) or (ii) the composition of the governing body of the Issuer or the Borrower is modified or established to reflect (directly or indirectly) representation of the interests of such Person (or for which an agreement, understanding, or arrangement relating to such a modification or establishment during that one-year period).

*"Bond Counsel"* means Chapman and Cutler LLP or any other nationally recognized firm of attorneys experienced in the field of municipal obligations whose opinions are generally accepted by purchasers of municipal obligations.

*"Closing Date"* means the date the Issuer issues the Securities.

*"Code"* means the Internal Revenue Code of 1986, as amended.

*"Constructed Personal Property"* means tangible personal property (or, if acquired pursuant to a single acquisition contract, properties) or Specially Developed Computer Software if (i) a substantial portion of the property or properties is completed more than six (6) months after the earlier of the date construction or rehabilitation commenced and the date the Borrower entered into an acquisition contract; (ii) based on the reasonable expectations of the Borrower, if any, or representations of the person constructing the property, with the exercise of due diligence, completion of construction or rehabilitation (and delivery to the issuer) could not have occurred within that six-month period; and (iii) if the Borrower itself builds or rehabilitates the property, not more than 75 percent of the capitalizable cost is attributable to property acquired by the Borrower (*e.g.*, components, raw materials, and other supplies).

*"Construction Purposes"* means capital expenditures that are allocable to the cost of Real Property or Constructed Personal Property. Except as provided in the next succeeding sentence, construction expenditures do not include expenditures for acquisitions of interests in land or other existing real property. Expenditures are not for the acquisition of an interest in existing real property other than land if the contract between the seller and the Borrower requires the seller to build or install the property (*e.g.*, a *turnkey contract*), but only to the extent that the property has not been built or installed at the time the parties enter into the contract.

*"Control"* means the possession, directly or indirectly through others, of either of the following discretionary and non-ministerial rights or powers over another entity (i) to approve and to remove without cause a controlling portion of the governing body of a Controlled Entity, or (ii) to require the use of funds or assets of a Controlled Entity for any purpose.

*"Controlled Entity"* means any entity or one of a group of entities that is subject to Control by a Controlling Entity or group of Controlling Entities.

*"Controlled Group"* means a group of entities directly or indirectly subject to Control by the same entity or group of entities, including the entity that has the Control of the other entities.

*"Controlling Entity"* means any entity or one of a group of entities directly or indirectly having Control of any entities or group of entities.

*"CREB Maturity Date"* shall have the meaning ascribed to it in the Loan Agreement.

*"Governmental Body"* means any State, territory, possession of the United States, the District of Columbia, Indian tribal government, and any political subdivision thereof.

*"Mortgage"* means the mortgage and security agreement applicable to substantially all of the property of the Borrower.

*"Qualified Borrower"* means (i) a mutual or cooperative electric company described in Sections 501(c)(12) or 1381(a)(2)(C) of the Code, or (ii) a Governmental Body (as defined above).

*"Real Property"* means land and improvements to land, such as buildings or other inherently permanent structures, including interests in real property. For example, real property includes wiring in a building, plumbing systems, central heating or air-conditioning systems, pipes or ducts, elevators, escalators installed in a building, paved parking areas, roads, wharves and docks, bridges, and sewage lines.

*"Related Person"* means any member of the same Controlled Group as the Issuer or the Borrower and any person related to the Issuer or a Borrower within the meaning of Section 144(a)(3) of the Code.

*"Solar Energy Facility"* means a facility using solar energy to produce electricity.

*"Specially Developed Computer Software"* means any programs or routines used to cause a computer to perform a desired task or set of tasks, and the documentation required to describe and maintain those programs, provided that the software is specially developed and is functionally related and subordinate to real property or other constructed personal property.

*"Tangible Personal Property"* means any tangible property other than real property, including interests in tangible personal property. For example, tangible personal property

includes machinery that is not a structural component of a building, subway cars, fire trucks, automobiles, office equipment, testing equipment, and furnishings.

## EXHIBIT B

## UPDATED DESCRIPTION OF THE PROJECT

| | |
|---|---|
| CFC Application | No. 15 Sulphur Springs Valley EC, Inc. |
| Bond Proceeds Needed for Project: | $280,000 |
| Bond Allocation Requested and Received | $280,000 |

| | |
|---|---|
| Name of Project | Pomerene Elementary School District Photovoltaic Solar Automobile Parking Shade Structure |
| Project Street Address | Pomerene Elementary School<br>1396 N. Old Pomerene Road<br>Pomerene, AZ 85627 |
| Phone | (520) 586-2407 |
| Fax | (520) 586-7724 |
| County | Cochise County |

| | |
|---|---|
| Individual Name to Contact | Jack Blair |
| Company Name | Sulphur Springs Valley Electric Cooperative, Inc. |
| Street Address | 311 E. Wilcox Drive |
| City, State, Zip | Sierra Vista, AZ 85635 |
| Telephone Number | (520) 515-3470 |
| Fax | (520) 458-3467 |

Updated Detailed Description of the Project:

A cantilevered shade structure at a school on the top of which will be constructed a 23kW solar photovoltaic system to supply power to the school. Excess power will flow on to the SSVEC system.

## EXHIBIT C

## ORIGINAL DESCRIPTION OF THE PROJECT

## [COPY OF EXHIBIT A TO ISSUER APPLICATION TO THE IRS]
## CLEAN RENEWABLE ENERGY BONDS APPLICATION
## EXHIBIT A

## SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

## POMERENE ELEMENTARY SCHOOL DISTRICT PHOTOVOLTAIC SOLAR SHADE STRUCTURE

This project will place a photovoltaic module costing $280,000, that will produce 23 kW of electricity in the shade structure in the one Pomerene Elementary School District school. The PV structure will provide electricity to the respective school at no charge. There will also be a cable connection to a computer in the library of each school to show students how the system is working.

This project is the identical project that Navopache Electric Cooperative in Arizona built in 2001 that continues to function with no issues/problems.

SSVEC will operate and maintain the structure. Any excess power produced will flow back to the SSVEC grid.

The PV structures at the schools will significantly reduce their electric bills, which have been disproportionately large due to the per meter monthly surcharges mandated by the Environmental Portfolio Program (EPP), and approved by the Arizona Corporation Commission. All customers pay the EPP fees to SSVEC, which uses them to fund renewable energy projects. Since each school has many meters, they pay the EPP a disproportionately large amount of dollars. The benefit of reduced electric bills will offset their payments into the fund.

The RFP issued by Sulphur Springs Valley Electric Cooperative follows.

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

A TOUCHSTONE ENERGY* COOPERATIVE

FOR THE ELECTRIC COOPERATIVES IN THE STATE OF ARIZONA

# REQUEST
# A
# PROPOSAL

FOR

A PHOTOVOLTAIC SYSTEM

USED FOR
SHADE STRUCTURES
FOR
PUBLIC BUILDINGS

ISSUED: AUGUST 1, 2005

Narrative: The Electric Cooperatives in Arizona (Duncan Valley EC, Graham County EC, Mohave EC, Navopache EC, Sulphur Springs Valley EC, Trico EC and Arizona Electric Power Cooperative, Inc.) request a proposal for a modular designed system to supply a 10 kW to 30 kW Photovoltaic (PV) system. System size is relative to the space available for the PV panels on each site. System may consist of multiple free standing modules interconnected to meet the 10 to 30 kW size requirement. Modules to be used as free standing carports or free standing covers for walkways to provide shade. These systems are to be used at public buildings to increase the awareness of PV systems and operations and systems will be sized based on the available space. Base pricing for 10, 15, 20, 25, and 30 kW systems are requested (systems may be rounded to the nearest 5kW increment). The interconnection cost from the PV system to nearest distribution panel will be on a case by case basis due to the variation in sites. This RFP is not all inclusive and contractor may include other specifications or requirements they feel are necessary for a successful venture.

This RFP is released on August 1, 2005 and response must be in a written proposal by October 1, 2005. For questions or clarification of details please contact Albert Gomez (520-515-3473) or David Bane (520-515-3472).

SCOPE OF WORK - THE CONTRACTOR WILL BE RESPONSIBLE FOR THE FOLLOWING:

- Structural design of the supporting PV structures (carport and walkway)
- One line circuit diagrams for approval by local Cooperative's engineering department
- Complete wiring diagrams (to be included in owner manual)

- Isolation transformers as needed to meet the NEC
- Purchase and installation of all components
- Systems test period of 4-6 weeks prior to transfer of title of equipment to site owner
- Any required Permits (Cooperative will reimburse actual cost of permits)
- Meter socket on the A/C output of the inverter(s)
- Interconnection with Customers electric service
- Fencing around inverters and other equipment as required for security and public safety
- Project to meet or exceed SunWatts standards
- Basic training for site owner/site operator
- Operators Manual

THE COOPERATIVE WILL PROVIDE THE FOLLOWING:

- Meter to measure AC output from PV system to owners electric panel
- Written permission from site owner to build the PV Module
- Act as the point of contact with the installation Contractor on behalf of the site owner

Structural Design Requirements:

The basic structure is to support the PV cells but must be able to work as a carport with all the required clearances. Support should be in a cantilever style to allow easy parking, spacing on vertical supports should be in multiples of 10 feet to be able to match typical parking lot spacing, height should allow the parking of full size passenger vans, and structure does not have to be water proof (providing shade to vehicles is secondary to the production of energy). Sample profile (to show intent not required design) is on page 4. Ideal structure would have the ability to support PV panels that would be effective if the long side of the structure is in a North-South as well as East-West orientation.

PV DESIGN REQUIREMENTS:

- PV panels shall have warranty for a minimum of 15 years to cover rated output (output degradation not to exceed 20% over life of panel)
- All system components will be UL certified
- System will include isolation transformers per section 250-30 of the NEC
- Polyphase inverter with voltage to match customer's system
- Inverter to match capacity of project.
- 15 year manufacturers warranty on Inverter (contractor may use an extended warranty insurance policy to meet 15 year requirement)
- Contractor will warranty repair labor at 100% for first 5 years, 66% of labor for second 5 years, and 33% of labor for remaining 5 years, (limited to warranty repairs)
- Interconnection costs from site of PV system to nearest practical distribution panel will be on a case by case basis, (site selection process will keep this as short as possible)

SUNWATTS REQUIREMENTS:

- One-line drawings subject to approval by local Cooperative's engineering department
- Units to operate in parallel with grid
- Includes protection for out of frequency problems
- Low harmonics
- Inverter must disconnect in the event grid power is lost
- Lockable safety switch located between the inverter and meter socket

TRAINING REQUIREMENTS:

The Contractor will provide sufficient time with the site owner to explain how to disconnect the system, locate inverter, identify all junction boxes between the modules, and identify any system warning lights or displays. Contractor will also provide system manual with basic operating instructions and all the associated warranty information and manufacturer contacts listed.

## EXHIBIT D

## MONTHLY DRAWDOWN SCHEDULE OF AMOUNTS TO BE ADVANCED TO THE BORROWER PURSUANT TO THE LOAN AGREEMENT

| DATE ON WHICH PROCEEDS ARE EXPECTED TO BE EXPENDED | AMOUNTS OF PROCEEDS TO BE EXPENDED |
|---|---|
| August 18, 2008 | $280,000 |

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

To

NATIONAL RURAL UTILITIES
COOPERATIVE FINANCE CORPORATION
Issuer

# LOAN AGREEMENT

Dated as of 12/21, 2007

Clean Renewable Energy Bonds
(Cooperative Renewable Energy Projects) Series 2008A
of National Rural Utilities Cooperative Finance Corporation

CFC LOANAG
AZ014-A-9045-CB001 (JABLONJ)
117586-2

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## LOAN AGREEMENT

**LOAN AGREEMENT** (this "Agreement") dated as of _____, between SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. ("Borrower"), a corporation organized and existing under the laws of the State of Arizona and NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION ("CFC"), a cooperative association organized and existing under the laws of the District of Columbia.

## RECITALS

**WHEREAS,** the Borrower has applied to CFC for a loan for the purposes set forth in Schedule 1 hereto, and CFC is willing to make such a loan to the Borrower on the terms and conditions stated herein; and

**WHEREAS,** the Borrower has agreed to execute a promissory note to evidence an indebtedness in the aggregate principal amount of the CFC Commitment (as hereinafter defined).

**NOW, THEREFORE,** for and in consideration of the premises and the mutual covenants hereinafter contained, the parties hereto agree and bind themselves as follows:

## ARTICLE I

## DEFINITIONS

**Section 1.01** For purposes of this Agreement, the following capitalized terms shall have the following meanings (such definitions to be equally applicable to the singular and the plural form thereof). Capitalized terms that are not defined herein shall have the meanings as set forth in the Mortgage.

**"Accounting Requirements"** shall mean any system of accounts prescribed by a federal regulatory authority having jurisdiction over the Borrower or, in the absence thereof, the requirements of GAAP applicable to businesses similar to that of the Borrower.

**"Advance"** shall mean each advance of funds by CFC to the Borrower pursuant to the terms and conditions of this Agreement, including the Initial Advance and the Primary Advance.

**"Authorized Officer of the Borrower"** means the Chairman, General Manager or Chief Financial Officer of the Borrower or any other person authorized by the Board of the Borrower so to act or any other person performing a function similar to the function performed by any such officer or authorized person.

**"Average DSC Ratio"** shall mean the average of the Borrower's two highest annual DSC Ratios during the most recent three calendar years.

**"Bond Counsel"** means an attorney at law or a firm of attorneys (designated by CFC and acceptable to the Trustee) of nationally recognized standing in matters pertaining to the tax-exempt nature of interest or tax credits on bonds issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of any state of the United States of America.

**"Business Day"** shall mean any day that both CFC and the depository institution CFC utilizes for funds transfers hereunder are open for business.

**"CFC Commitment"** shall have the meaning as defined in Schedule 1.

**"CFC CREB Rate"** shall mean the interest rate charged by CFC for loans made by CFC from proceeds of the CREBs which rate shall not exceed one hundred and fifty basis points (150/100 of 1%) per annum.

**"Closing Date"** shall mean the date CFC issues the CREBs.

**"Code"** shall mean the Internal Revenue Code of 1986, as supplemented and amended.

**"Completion Certificate"** shall mean the certificate of the Borrower required by Section 5.01.P of this Agreement, substantially in the form of Exhibit C hereto.

**"CREBs"** shall mean the series of Securities issued by CFC to provide financing for the Project.

**"CREB Maturity Date"** shall mean the maturity date of the CREBs, which shall be the December 15th prior to the Maximum CREB Term Anniversary Date.

**"Debt Service Coverage ("DSC") Ratio"** shall mean the ratio determined as follows: for any calendar year add (i) Operating Margins, (ii) Non-Operating Margins--Interest, (iii) Interest Expense, (iv) Depreciation and Amortization Expense, and (v) cash received in respect of generation and transmission and other capital credits, and divide the sum so obtained by the sum of all payments of Principal and Interest Expense required to be made during such calendar year; provided, however, that in the event that any amount of Long-Term Debt has been refinanced during such year, the payments of Principal and Interest Expense required to be made during such year on account of such refinanced amount of Long-Term Debt shall be based (in lieu of actual payments required to be made on such refinanced amount of Long-Term 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 payment of Principal and Interest Expense required to be made during the following year on account of such refinancing debt.

**"Default Rate"** shall mean a rate per annum equal to one hundred and fifty basis points (150/100 of 1%).

**"Depreciation and Amortization Expense"** shall mean an amount constituting the depreciation and amortization of the Borrower computed pursuant to Accounting Requirements.

**"Determination of Tax Credit Ineligibility"** shall mean a determination that a particular series of Securities does not qualify for a tax credit for the owner thereof under Section 54 of the Code, which determination shall be deemed to have been made upon the occurrence of the first to occur of the following:

(a) the date on which CFC determines that there is a significant likelihood that a particular series of Securities may not qualify for a tax credit, if such determination is supported by a written opinion of Bond Counsel to that effect; or

(b) the date on which CFC shall receive notice in writing that the Trustee has been advised by the owner of any Security that a particular series of Securities does not qualify for a tax credit for the owner thereof, based upon a final determination made either by: (A) the Internal Revenue Service in a published or private ruling or technical advice memorandum or (B) any court of competent jurisdiction in the United States of America, as a result of a failure by CFC or any borrower to observe any agreement or representation in the Tax Compliance Agreement or a Loan Agreement or Project Agreement relating to the proceeds of the Securities. Any such determination will not be considered final for this purpose unless the Owner of the Securities involved in the proceeding or action resulting in the determination (i) gives CFC and the Trustee prompt written notice of the commencement thereof and (ii) if CFC agrees to pay all expenses in connection therewith and to indemnify such Owner of the Securities against all liabilities in connection therewith, offers CFC an opportunity to contest the determination, either directly or in the name of the Owner of the Securities, and until conclusion of any review, if sought.

**"Distributions"** shall mean, with respect to the Borrower, any dividend, patronage refund, patronage capital retirement or cash distribution to its members, or consumers (including but not limited to any general cancellation or abatement of charges for electric energy or services furnished by the Borrower). The term "Distribution" shall *not* include (a) a distribution by the Borrower to the estate of a deceased patron, (b) repayment by the Borrower of a membership fee upon termination of a membership, or (c) any rebate to a patron resulting from a cost abatement received by the Borrower, such as a reduction of wholesale power cost previously incurred.

**"Draw Period"** shall have the meaning as described in Schedule 1 hereto.

**"Environmental Laws"** shall mean all laws, rules and regulations promulgated by any Governmental Authority, with which Borrower is required to comply, regarding the use, treatment, discharge, storage, management, handling, manufacture, generation, processing, recycling, distribution, transport, release of or exposure to any Hazardous Material.

**"Equity"** shall mean the aggregate of the Borrower's equities and margins computed pursuant to Accounting Requirements.

**"Event of Default"** shall have the meaning as described in Article VI hereof.

**"Funds Requisition Statement"** shall mean the certificate of the Borrower, in the form set forth as Exhibit A to this Agreement, by which the Borrower will obtain an advance of funds from CFC under the Loan.

**"GAAP"** shall mean generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board.

**"Governmental Authority"** shall mean the government of the United States of America, any other nation or government, any state or other political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

**"Hazardous Material"** shall mean any (a) petroleum or petroleum products, radioactive materials, asbestos-containing materials, polychlorinated biphenyls, lead and radon gas, and (b) any

other substance designated as hazardous or toxic or as a pollutant or contaminant under any Environmental Law.

**"Indenture"** shall mean the Indenture between CFC and U.S. Bank Trust Company National Association, relating to the first issue of Securities, pursuant to which the Securities, including the CREBs are issued, as supplemented and amended.

**"Initial Advance"** shall mean the Advance made by CFC on the Closing Date pursuant to Section 3.02.A hereof to fund a portion of CFC's costs in issuing the CREBs attributable to the CFC Commitment, including, but not limited to, original issue discount, underwriting discount and other costs of issuance, including, without limitation, rating agency costs and legal, underwriting and Trustee expenses.

**"Interest Expense"** shall mean an amount constituting the interest expense with respect to Long-Term Debt of the Borrower computed pursuant to Accounting Requirements. 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 Restricted Rentals paid by the Borrower over 2% of the Borrower's Equity.

**"Lien"** shall mean any statutory or common law consensual or non-consensual mortgage, pledge, security interest, encumbrance, lien, right of set off, claim or charge of any kind, including, without limitation, any conditional sale or other title retention transaction, any lease transaction in the nature thereof and any secured transaction under the Uniform Commercial Code.

**"Loan"** shall mean the loan made by CFC to the Borrower, pursuant to this Agreement and the Note, in an aggregate principal amount not to exceed the CFC Commitment.

**"Loan Capital Term Certificate" or "LCTC"** shall mean a certificate, or book entry form of account, evidencing the Borrower's purchase of equity in CFC.

**"Loan Documents"** shall mean this Agreement, the Note, the Mortgage, the Project Agreement and all other documents or instruments executed, delivered or executed and delivered by the Borrower and evidencing, securing, governing or otherwise pertaining to, the Loan.

**"Long-Term Debt"** shall mean an amount constituting the long-term debt of the Borrower computed pursuant to Accounting Requirements.

**"Maturity Date"** shall mean the Payment Date immediately prior to the CREB Maturity Date permitted for the CREBs under Section 54(e)(2) of the Code as in effect on the Closing Date.

**"Maximum CREB Term Anniversary Date"** shall mean the anniversary of the Closing Date that occurs at the maximum term permitted for the CREBs under Section 54(e)(2) of the Code as in effect on the Closing Date.

**"Mortgage"** shall have the meaning as described in Schedule 1 hereto.

**"Mortgaged Property"** shall have the meaning ascribed to it in the Mortgage.

**"Non-Operating Margins--Interest"** shall mean the amount representing the interest component of non-operating margins of the Borrower computed pursuant to Accounting Requirements.

**"Note"** shall mean the secured promissory note, payable to the order of CFC, executed by the Borrower, dated as of even date herewith, pursuant to this Agreement as identified on Schedule 1 hereto and shall include any substitute note or modification thereto.

**"Obligations"** shall mean any and all liabilities, obligations or indebtedness owing by the Borrower to CFC, of any kind or description, irrespective of whether for the payment of money, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising.

**"Operating Margins"** shall mean the amount of patronage capital and operating margins of the Borrower computed pursuant to Accounting Requirements.

**"Payment Date"** shall mean the first (1st) day of each of March, June and September and December.

**"Payment Notice"** shall mean a notice furnished by CFC to the Borrower that indicates the amount of each payment of interest or interest and principal and the total amount of each payment due.

**"Permitted Encumbrances"** shall have the meaning ascribed to it in the Mortgage.

**"Person"** shall mean natural persons, cooperatives, corporations, limited liability companies, limited partnerships, general partnerships, limited liability partnerships, joint ventures, associations, companies, trusts or other organizations, irrespective of whether they are legal entities, and Governmental Authorities.

**"Primary Advance"** shall mean the Advance made by CFC to the Borrower pursuant to Section 3.02.B hereof two Business Days after the Closing Date to reimburse Borrower for costs of the Project.

**"Principal"** shall mean the amount of principal billed on account of Long-Term Debt of the Borrower computed pursuant to Accounting Requirements.

**"Project"** shall mean the project being financed pursuant to the Loan, as further described in Schedule 1.

**"Project Account"** means an account created pursuant to the Indenture within the Project Fund related to the CREBs.

**"Project Agreement"** shall mean the Project Agreement, dated as of even date herewith, executed by the Borrower with respect to the Project and the CREBs.

**"Project Fund"** means the Project Fund created and identified as such in the Indenture.

**"Restricted Rentals"** shall mean all rentals required to be paid under finance leases and charged to income, exclusive of any amounts paid under any such lease (whether or not designated therein as rental or additional rental) for maintenance or repairs, insurance, taxes, assessments, water rates or similar charges. For the purpose of this definition the term "finance lease" shall mean any lease having a rental term (including the term for which such lease may be renewed or extended at the option of the lessee) in excess of three (3) years and covering property having an initial cost in excess of $250,000 other than automobiles, trucks, trailers, other vehicles (including without

limitation aircraft and ships), office, garage and warehouse space and office equipment (including without limitation computers).

**"Securities"** shall mean one or more series of clean renewable energy bonds issued by CFC under the Indenture.

**"Subsidiary"** as to any Person, shall mean a corporation, partnership, limited partnership, limited liability company or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise qualified, all references to a "Subsidiary" or to "Subsidiaries" in this Agreement shall refer to a Subsidiary or Subsidiaries of the Borrower.

**"Tax Compliance Agreement"** means a tax compliance certificate and agreement of CFC with respect to a series of Securities, as accepted by the Trustee, as amended.

**"Termination Certificate"** shall mean the certificate of the Borrower required by Section 5.01.Q of this Agreement, substantially in the form of Exhibit D hereto.

**"Total Assets"** shall mean an amount constituting the total assets of the Borrower computed pursuant to Accounting Requirements.

**"Total Utility Plant"** shall mean the amount constituting the total utility plant of the Borrower computed pursuant to Accounting Requirements.

**"Trustee"** shall mean U.S. Bank Trust Company National Association and its successors and assigns.

## ARTICLE II

## REPRESENTATIONS AND WARRANTIES

**Section 2.01** The Borrower represents and warrants to CFC that as of the date of this Agreement:

**A. Good Standing.** The Borrower is duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization, is duly qualified to do business and is in good standing in those states in which it is required to be qualified to conduct its business. The Borrower is a member in good standing of CFC.

**B. Subsidiaries and Ownership.** Schedule 1 hereto sets forth a complete and accurate list of the Subsidiaries of the Borrower showing the percentage of the Borrower's ownership of the outstanding stock, membership interests or partnership interests, as applicable, of each Subsidiary.

**C. Authority; Validity.** The Borrower has the power and authority to enter into this Agreement, the Note, the Project Agreement and the Mortgage; to make the borrowing hereunder; to execute and deliver all documents and instruments required hereunder and to incur and perform the obligations provided for herein, in the Note, in the Project Agreement and in the Mortgage, all of which have been duly authorized by all necessary and proper action; and no consent or approval of

any Person, including, as applicable and without limitation, members of the Borrower, which has not been obtained is required as a condition to the validity or enforceability hereof or thereof.

Each of this Agreement, the Note, the Project Agreement and the Mortgage is, and when fully executed and delivered will be, legal, valid and binding upon the Borrower and enforceable against the Borrower in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity.

**D. No Conflicting Agreements.** The execution and delivery of the Loan Documents and performance by the Borrower of the obligations thereunder, and the transactions contemplated hereby or thereby, will not: (i) violate any provision of law, any order, rule or regulation of any court or other agency of government, any award of any arbitrator, the articles of incorporation or by-laws of the Borrower, or any indenture, contract, agreement, mortgage, deed of trust or other instrument to which the Borrower is a party or by which it or any of its property is bound; or (ii) be in conflict with, result in a breach of or constitute (with due notice and/or lapse of time) a default under, any such award, indenture, contract, agreement, mortgage, deed of trust or other instrument, or result in the creation or imposition of any Lien (other than contemplated hereby) upon any of the property or assets of the Borrower.

The Borrower is not in default in any material respect under any agreement or instrument to which it is a party or by which it is bound and no event or condition exists which constitutes a default, or with the giving of notice or lapse of time, or both, would constitute a default under any such agreement or instrument.

**E. Taxes.** The Borrower, and each of its Subsidiaries, has filed or caused to be filed all federal, state and local tax returns which are required to be filed and has paid or caused to be paid all federal, state and local taxes, assessments, and governmental charges and levies thereon, including interest and penalties to the extent that such taxes, assessments, and governmental charges and levies have become due, except for such taxes, assessments, and governmental charges and levies which the Borrower or any Subsidiary is contesting in good faith by appropriate proceedings for which adequate reserves have been set aside.

**F. Licenses and Permits.** The Borrower has duly obtained and now holds all licenses, permits, certifications, approvals and the like necessary to own and operate its property and business that are required by Governmental Authorities and each remains valid and in full force and effect.

**G. Litigation.** There are no outstanding judgments, suits, claims, actions or proceedings pending or, to the knowledge of the Borrower, threatened against or affecting the Borrower, its Subsidiaries or any of their respective properties which, if adversely determined, either individually or collectively, would have a material adverse effect upon the business, operations, prospects, assets, liabilities or financial condition of the Borrower or its Subsidiaries. The Borrower and its Subsidiaries are not, to the Borrower's knowledge, in default or violation with respect to any judgment, order, writ, injunction, decree, rule or regulation of any Governmental Authority which would have a material adverse effect upon the business, operations, prospects, assets, liabilities or financial condition of the Borrower or its Subsidiaries.

**H. Financial Statements.** The balance sheet of the Borrower as at the date identified in Schedule 1 hereto, the statement of operations of the Borrower for the period ending on said date, and the interim financial statements of the Borrower, all heretofore furnished to CFC, are complete and correct. Said balance sheet fairly presents the financial condition of the Borrower as at said date

and said statement of operations fairly reflects its operations for the period ending on said date. The Borrower has no contingent obligations or extraordinary forward or long-term commitments except as specifically stated in said balance sheet or herein. There has been no material adverse change in the financial condition or operations of the Borrower from that set forth in said financial statements except changes disclosed in writing to CFC prior to the date hereof.

I. **Borrower's Legal Status.** Schedule 1 hereto accurately sets forth: (i) the Borrower's exact legal name, (ii) the Borrower's organizational type and jurisdiction of organization, (iii) the Borrower's organizational identification number or accurate statement that the Borrower has none, and (iv) the Borrower's place of business or, if more than one, its chief executive office as well as the Borrower's mailing address if different.

J. **Required Approvals.** Other than the CREBs allocation received from the Internal Revenue Service, no license, consent or approval of any Governmental Authority is required to enable the Borrower to enter into this Agreement, the Project Agreement, the Note and the Mortgage, or to perform any of its Obligations provided for in such documents, including without limitation (and if applicable), that of any state public utilities commission, any state public service commission, and the Federal Energy Regulatory Commission, except as disclosed in Schedule 1 hereto, all of which the Borrower has obtained prior to the date hereof.

K. **Compliance With Laws.** The Borrower and each Subsidiary is in compliance, in all material respects, with all applicable requirements of law and all applicable rules and regulations of each Governmental Authority.

L. **Disclosure.** To the Borrower's knowledge, information and belief, neither this Agreement nor any document, certificate or financial statement furnished to CFC by or on behalf of the Borrower in connection herewith (all such documents, certificates and financial statements, taken as a whole) contains any untrue statement of a material fact or omits to state any material fact necessary in order to make the statements contained herein and therein not misleading.

M. **No Other Liens.** As to property which is presently included in the description of Mortgaged Property, the Borrower has not, without the prior written approval of CFC, executed or authenticated any security agreement or mortgage, or filed or authorized any financing statement to be filed with respect to assets owned by it, other than security agreements, mortgages and financing statements in favor of CFC, except as disclosed in writing to CFC prior to the date hereof or relating to Permitted Encumbrances.

N. **Environmental Matters.** Except as to matters which individually or in the aggregate would not have a material adverse effect upon the business or financial condition of the Borrower or its Subsidiaries, (i) Borrower is in compliance with all Environmental Laws (including, but not limited to, having any required permits and licenses), (ii) there have been no releases (other than releases remediated in compliance with Environmental Laws) from any underground or aboveground storage tanks (or piping associated therewith) that are or were present at the Mortgaged Property, (iii) Borrower has not received written notice or claim of any violation of any Environmental Law, (iv) there is no pending investigation of Borrower in regard to any Environmental Law, and (v) to the best of Borrower's knowledge, there has not been any release or contamination (other than releases or contamination remediated in compliance with Environmental Laws) resulting from the presence of Hazardous Materials on property owned, leased or operated by the Borrower.

O. **Project Agreement.** As set forth in the Project Agreement, the Project constitutes "a qualified project" as defined in Section 54(d)(2)(A) of the Code. As set forth in the Project Agreement,

the Borrower constitutes currently, and will remain through the period that the CREBs remain outstanding, "a Qualified Borrower", meaning a (i) mutual or cooperative electric company described in Sections 501(c)(12) or 1381(a)(2)(C) of the Code, or (ii) a Governmental Body, which is defined as any state, territory possession of the U.S., the District of Columbia, Indian tribal government, and any political subdivision thereof. The statements, information and descriptions contained in the Project Agreement are true, correct and complete, and do not contain any untrue statement or misleading statement of a material fact, and do not omit to state a material fact required to be stated therein or necessary to make the statements, information and descriptions contained therein, in the light of the circumstances under which they were made, not misleading, and the estimates and the assumptions contained in the Project Agreement are reasonable and based on the best information available to the Borrower.

## ARTICLE III

## LOAN

**Section 3.01 Definitions.** For purposes of this Article 3, the following capitalized terms shall have the following meanings:

**"Borrower's Annual Bond Repayment Amount"** shall mean the amount determined by dividing the CFC Commitment by the number of years from the Closing Date to the Maximum CREB Term Anniversary Date, which amount shall be recalculated on the date CFC rescinds any excess moneys pursuant to Section 3.05 or 3.06 hereof.

**"Quarterly Bond Deposit Amount"** shall mean for each Payment Date, the amount determined by subtracting from the Quarterly Bond Repayment Amount the principal amount payable by the Borrower pursuant to Section 3.03.A(ii)(b)(1) on such Payment Date.

**"Quarterly Bond Repayment Amount"** shall mean one-fourth (¼) of the Borrower's Annual Bond Repayment Amount.

**Section 3.02 Advances.** The obligation of the Borrower to repay the Advances shall be evidenced by the Note. The aggregate amount of all Advances made hereunder shall not exceed the CFC Commitment. At the end of the Draw Period, CFC shall have no further obligation to make Advances.

**A. Initial Advance.** Borrower hereby agrees that on the Closing Date, CFC shall automatically, and without action by Borrower, make the Initial Advance. On the Closing Date, CFC shall notify Borrower of the final amount of the Initial Advance and the amount of the CFC Commitment remaining for Borrower to subsequently Advance.

**B. Subsequent Advances.**

(i) The Borrower may submit a request for the Primary Advance to CFC in writing (which may be submitted by facsimile) no later than 12:00 noon local time at CFC's offices in Herndon, Virginia seven Business Days prior to the Closing Date. The Primary Advance may be requested in any amount up to the CFC Commitment. CFC shall make the Primary Advance two Business Days after the Closing Date in the lesser of (i) the aggregate amount of such requested Primary Advance, and (ii) the amount of the CFC Commitment less the amount of the Initial Advance.

(ii) Except as set forth in 3.02.A and 3.02.B(i) hereof, the Borrower shall submit its request for an Advance to CFC in writing (which may be submitted by facsimile) no later than 12:00 noon local time at CFC's offices in Herndon, Virginia at least two (2) Business Days prior to the last Business Day of any calendar month. Borrower may make multiple requests for Advances during any calendar month in any amount so long as the aggregate amount of all Advances requested in such month is in an amount not less than $100,000.00; *provided, however* that at such time as there remains less than $100,000.00 available for Advance hereunder, Borrower may request the entirety of such remaining amount. CFC shall make a single Advance to Borrower on the first Business Day of the calendar month following Borrower's request(s) for an Advance. Such Advance shall be in the aggregate amount of all Advances requested by Borrower in the prior month, *provided however* that at such time as there remains less than $100,000.00 available for Advance hereunder and Borrower requests the entirety of such remaining amount, CFC shall Advance the entirety of such remaining amount.

**Section 3.03 Interest Rate and Payment.** The Note shall be payable and bear interest as follows:

**A. Payments; Maturity; Amortization.**

(i) The Note shall be due and payable on the Maturity Date.

(ii) On each Payment Date, the Borrower shall promptly pay the following:

(a) accrued interest on the principal amount of the Loan outstanding less the amount of the Initial Advance; and

(b) the Quarterly Bond Repayment Amount, consisting of:

(1) the principal amount due on any outstanding Advances, determined on the basis of a quarterly amortization schedule from the date of each Advance; and

(2) the Quarterly Bond Deposit Amount.

(iii) If not sooner paid, any amount due on account of the unpaid principal, interest accrued thereon and fees, if any, shall be due and payable on the Maturity Date.

(iv) Each Advance shall amortize on a level principal payment basis from the date thereof through the Maturity Date.

(v) CFC will furnish to the Borrower a Payment Notice at least ten (10) days before each Payment Date, provided, however, that CFC's failure to send a Payment Notice shall not constitute a waiver by CFC or be deemed to relieve the Borrower of its obligation to make payments as and when due as provided for herein.

(vi) No provision of this Agreement or of any Note shall require the payment, or permit the collection, of interest in excess of the highest rate permitted by applicable law.

Borrower agrees that the records of, and all computations by, CFC (in whatever media they are recorded or maintained) as to the amount of principal, interest, fees and Quarterly Bond Deposit Amount due on the Loan shall be conclusive in the absence of manifest error.

**B. Application of Payments.** Each payment shall be applied to the Loan, first to any fees, costs, expenses or charges other than interest or principal, second to interest accrued, third to the Quarterly Bond Deposit Amount and the balance to principal.

**C. Application of Bond Repayment Deposit.** At such time as the aggregate amount billed by CFC in any calendar year on account of amortized principal under this Agreement exceeds the Borrower's Annual Bond Repayment Amount for such year, CFC shall apply a portion of the Borrower's prior payments of the Quarterly Bond Deposit Amount in the amount of such overage to principal then due. Until such time, Borrower's payments of the Quarterly Bond Deposit Amount shall not reduce the amount of principal outstanding and subject to amortization. Any amount paid by the Borrower under this Agreement on account of the Quarterly Bond Deposit Amount in excess of the principal amount of the fully advanced Loan shall be refunded to the Borrower on the Maturity Date.

**D. Interest Rate Computation.** Each Advance except the Initial Advance shall bear interest at the CFC CREB Rate which shall apply until the Maturity Date. The Initial Advance shall not bear interest. Interest on Advances shall be computed on the basis of a 30-day month and 360-day year.

**Section 3.04. Extraordinary Obligation to Prepay.** Upon a Determination of Tax Credit Ineligibility that subjects the CREBs to an extraordinary mandatory redemption due to a failure of the Borrower to observe any agreement or representation in this Loan Agreement (as more particularly described in paragraph (b) of the defined term "Determination of Tax Credit Ineligibility"), the Borrower shall prepay the Loan, or such part thereof as determined by CFC, at such times and in such amounts as determined by CFC within sixty (60) days of such determination together with a prepayment premium prescribed by CFC pursuant to its policies of general application in effect from time to time.

**Section 3.05. Rescission of Excess Moneys; Fee.** If the Borrower has not drawn down the full amount of the CFC Commitment at (i) the time of filing the Completion Certificate under Section 5.01P. hereof, (ii) the time of filing the Termination Certificate under 5.01Q. hereof, (iii) a Determination of Tax Credit Ineligibility or (iv) the end of the Draw Period, a corresponding rescission of the amount of principal available to be drawn on the Note as calculated by CFC shall automatically be made without further action by the Borrower. CFC shall release the Borrower from its obligations hereunder as to such rescinded portion, provided the Borrower complies with such terms and conditions as CFC may impose for such release including, without limitation, payment of any rescission fee that CFC may from time to time prescribe, pursuant to its policies of general application.

**Section 3.06. Cancellation of Excess Moneys.** If the Borrower has not drawn down the full amount of the CFC Commitment at the time CFC determines that it will cease making Advances hereunder pursuant to Section 7.01 hereof, a corresponding cancellation of the amount of principal available to be drawn on the Note as calculated by CFC shall automatically be made without action by the Borrower.

**Section 3.07. Default Rate.** If Borrower defaults on its obligation to make a payment due hereunder by the applicable Payment Date, and such default continues for thirty days thereafter, then

beginning on the thirty-first day after the Payment Date and for so long as such default continues, Advances shall bear interest at the Default Rate.

**Section 3.08. Patronage Capital; Interest Rate Discounts.** No patronage capital shall be earned, and no interest rate discounts shall apply, to the Loan.

**Section 3.09. Optional Prepayment.** Except for prepayments made pursuant to Section 3.04 hereof, no prepayment of any Advance, in whole or in part, may be made by the Borrower.

## ARTICLE IV

## CONDITIONS OF LENDING

**Section 4.01** The obligation of CFC to make any Advance hereunder is subject to satisfaction of the following conditions in form and substance satisfactory to CFC:

**A. Legal Matters.** All legal matters incident to the consummation of the transactions hereby contemplated shall be satisfactory to counsel for CFC.

**B. Documents.** CFC shall have been furnished with (i) the executed Loan Documents, (ii) certified copies of all such organizational documents and proceedings of the Borrower authorizing the transactions hereby contemplated as CFC shall require, (iii) an opinion of counsel for the Borrower addressing such legal matters as CFC shall reasonably require, and (iv) all other such documents as CFC may reasonably request.

**C. Government Approvals.** The Borrower shall have furnished to CFC true and correct copies of all certificates, authorizations, consents, permits and licenses from Governmental Authorities necessary for the execution or delivery of the Loan Documents or performance by the Borrower of the obligations thereunder.

**D. Representations and Warranties.** The representations and warranties contained in Article II shall be true on the date of the making of each Advance hereunder with the same effect as though such representations and warranties had been made on such date; no Event of Default and no event which, with the lapse of time or the notice and lapse of time would become such an Event of Default, shall have occurred and be continuing or will have occurred after giving effect to each Advance on the books of the Borrower; there shall have occurred no material adverse change in the business or condition, financial or otherwise, of the Borrower; and nothing shall have occurred which in the opinion of CFC materially and adversely affects the Borrower's ability to perform its obligations hereunder.

**E. Mortgage Recordation.** The Mortgage (and any amendments, supplements or restatements as CFC may require from time to time) shall have been duly filed, recorded or indexed in all jurisdictions necessary (and in any other jurisdiction that CFC shall have reasonably requested) to provide CFC a lien, subject to Permitted Encumbrances, on all of the Borrower's real property, all in accordance with applicable law, and the Borrower shall have paid all applicable taxes, recording and filing fees and caused satisfactory evidence thereof to be furnished to CFC.

**F. UCC Filings.** Uniform Commercial Code financing statements (and any continuation statements and other amendments thereto that CFC shall require from time to time) shall have been duly filed, recorded or indexed in all jurisdictions necessary (and in any other jurisdiction that CFC

shall have reasonably requested) to provide CFC a perfected security interest, subject to Permitted Encumbrances, in the Mortgaged Property which may be perfected by the filing of a financing statement, all in accordance with applicable law, and the Borrower shall have paid all applicable taxes, recording and filing fees and caused satisfactory evidence thereof to be furnished to CFC.

G. **Requisitions.** The Borrower will requisition each Advance by submitting its written requisition to CFC in the form attached as Exhibit A hereto. Requisitions for Advances shall be made only for the purposes set forth in Schedule 1 hereto.

H. **Other Information.** The Borrower shall have furnished such other information as CFC may reasonably require, including but not limited to (i) information regarding the specific purpose for an Advance and the use thereof, (ii) feasibility studies, cash flow projections, financial analyses and pro forma financial statements sufficient to demonstrate to CFC's reasonable satisfaction that after giving effect to the Advance requested, the Borrower shall continue to achieve the DSC ratio set forth in Section 5.01.A herein, to meet all of its debt service obligations, and otherwise to perform and to comply with all other covenants and conditions set forth in this Agreement, and (iii) any other information as CFC may reasonably request. CFC's obligation to make any Advance hereunder is conditioned upon prior receipt and approval of the Borrower's written requisition and other information and documentation, if any, as CFC may have requested pursuant to this paragraph.

I. **Issuance of Bonds.** CFC shall have issued CREBs in an amount not less than the CFC Commitment.

J. **CREB Allocation**. CFC shall have received an allocation in the amount of the CFC Commitment from the U.S. Department of Treasury for the Borrower's Project under its Securities program.

K. **Tax Credit Ineligibility.** There shall have occurred no Determination of Tax Credit Ineligibility with regard to the Borrower or the Project.

L. **Bring Down Certificate.** Two (2) Business Days prior to the Closing Date, the Borrower shall furnish CFC with a certificate of an Authorized Officer of the Borrower in the form of Exhibit B hereto, certifying that all of the representations and warranties set forth in Article II hereof are true on the Closing Date.

## ARTICLE V

## COVENANTS

**Section 5.01 Affirmative Covenants.** The Borrower covenants and agrees with CFC that until payment in full of the Note and performance of all obligations of the Borrower hereunder:

A. **Financial Ratios; Design of Rates.** The Borrower shall achieve an Average DSC Ratio of not less than 1.35. The Borrower shall not decrease its rates for electric service if it has failed to achieve a DSC Ratio of 1.35 for the calendar year prior to such reduction subject only to an order from a Governmental Authority properly exercising jurisdiction over the Borrower.

B. **Loan Proceeds.** The Borrower shall use the proceeds of this Loan solely for the purposes identified on Schedule 1 hereto.

**C. Notice.** The Borrower shall promptly notify CFC in writing of:

(i) any material adverse change in the business, operations, prospects, assets, liabilities or financial condition of the Borrower;

(ii) the institution or threat of any litigation or administrative proceeding of any nature involving the Borrower which could materially affect the business, operations, prospects, assets, liabilities or financial condition of the Borrower;

(iii) the occurrence of an Event of Default hereunder, or any event that, with the giving of notice or lapse of time, or both, would constitute an Event of Default.

**D. Default Notices.** Upon receipt of any notices with respect to a default by the Borrower under the terms of any evidence of any indebtedness with parties other than CFC or of any loan agreement, mortgage or other agreement relating thereto, the Borrower shall deliver copies of such notice to CFC.

**E. Annual Certificates.**

(i) Within one hundred twenty (120) days after the close of each calendar year, commencing with the year in which the initial Advance hereunder shall have been made, the Borrower will deliver to CFC a written statement, in form and substance satisfactory to CFC, signed by the Borrower's General Manager or Chief Executive Officer, stating that during such year, and that to the best of said person's knowledge, the Borrower has fulfilled all of its obligations under this Agreement, the Project Agreement, the Note, and the Mortgage throughout such year or, if there has been a default in the fulfillment of any such obligations, specifying each such default known to said person and the nature and status thereof.

(ii) The Borrower shall deliver to CFC within one hundred twenty (120) days of CFC's written request, which shall be no more frequently than once every year, a certification, in form and substance satisfactory to CFC, regarding the condition of the Mortgaged Property prepared by a professional engineer satisfactory to CFC. The Borrower shall also deliver to CFC such other information as CFC may reasonably request from time to time.

**F. Loan Capital Term Certificate Purchase.** The Borrower will purchase LCTCs, if required, in an amount calculated pursuant to CFC's policies of general application and shall pay for such LCTCs as required thereby. CFC's policies with respect to such LCTCs are set forth in Schedule 1.

**G. Financial Books; Financial Reports; Right of Inspection.** The Borrower will at all times keep, and safely preserve, proper books, records and accounts in which full and true entries will be made of all of the dealings, business and affairs of the Borrower, in accordance with Accounting Requirements. When requested by CFC, the Borrower will prepare and furnish CFC from time to time, periodic financial and statistical reports on its condition and operations. All of such reports shall be in such form and include such information as may be specified by CFC. Within one hundred twenty (120) days of the end of each calendar year during the term hereof, the Borrower shall furnish to CFC a full and complete report of its financial condition and statement of its operations as of the end of such calendar year, in form and substance satisfactory to CFC. In addition, within one hundred twenty (120) days of the end of each the Borrower's fiscal years during the term hereof, the Borrower shall furnish to CFC a full and complete consolidated and consolidating report of its financial condition and statement of its operations as of the end of such fiscal year,

audited and certified by independent certified public accountants nationally recognized or otherwise satisfactory to CFC and accompanied by a report of such audit in form and substance satisfactory to CFC, including without limitation a consolidated and consolidating balance sheet and the related consolidated and consolidating statements of income and cash flow. CFC, through its representatives, shall at all times during reasonable business hours and upon prior notice have access to, and the right to inspect and make copies of, any or all books, records and accounts, and any or all invoices, contracts, leases, payrolls, canceled checks, statements and other documents and papers of every kind belonging to or in the possession of the Borrower or in anyway pertaining to its property or business.

**H. Notice of Additional Secured Debt.** The Borrower will notify CFC promptly in writing if it incurs any additional secured indebtedness other than indebtedness to CFC or indebtedness otherwise provided for in the Mortgage.

**I. Funds Requisition.** The Borrower agrees (i) that CFC may rely conclusively upon the written instructions submitted to CFC in the Borrower's written request for an Advance hereunder, (ii) that such instructions shall constitute a covenant under this Agreement to repay the Advance in accordance with such instructions, the applicable Note, the Mortgage, the Project Agreement and this Agreement, and (iii) to request Advances only for the purposes set forth in Schedule 1 hereto.

**J. Compliance With Laws.** The Borrower and each Subsidiary shall remain in compliance, in all material respects, with all applicable requirements of law and applicable rules and regulations of each Governmental Authority.

**K. Taxes.** The Borrower shall pay, or cause to be paid all taxes, assessments or governmental charges lawfully levied or imposed on or against it and its properties prior to the time they become delinquent, except for any taxes, assessments or charges that are being contested in good faith and with respect to which adequate reserves as determined in good faith by the Borrower have been established and are being maintained.

**L. Further Assurances.** The Borrower shall execute any and all further documents, financing statements, agreements and instruments, and take all such further actions (including the filing and recording of financing statements, fixture filings, mortgages, deeds of trust and other documents), which may be required under any applicable law, or which CFC may reasonably request, to effectuate the transactions contemplated by the Loan Documents or to grant, preserve, protect or perfect the Liens created or intended to be created thereby. The Borrower also agrees to provide to CFC, from time to time upon request, evidence reasonably satisfactory to CFC as to the perfection and priority of the Liens created or intended to be created by the Loan Documents.

**M. Environmental Covenants.** Borrower shall:

(i) at its own cost, comply in all material respects with all applicable Environmental Laws, including, but not limited to, any required remediation; and

(ii) if it receives any written communication alleging Borrower's violation of any Environmental Law, provide CFC with a copy thereof within ten (10) Business Days after receipt, and promptly take appropriate action to remedy, cure, defend, or otherwise affirmatively respond to the matter.

**N. Limitations on Loans, Investments and Other Obligations.** The aggregate amount of all purchases, investments, loans, guarantees, commitments and other obligations described in

Section 5.02.D(i) of this Agreement shall at all times be less than fifteen percent (15%) of Total Utility Plant or fifty percent (50%) of Equity, whichever is greater.

**O. Tax Status of the CREBs.** The Borrower shall utilize the Project or cause it to be utilized as provided in the Project Agreement until the CREB Maturity Date. No use will be made of the proceeds of the CREBs other than as set forth herein and in the Project Agreement and no changes will be made in the Project or in the operation or beneficial use thereof (including, without limiting the generality of the foregoing, the use of the Project by the Borrower or any related person) without an opinion of Bond Counsel that such a use or change will not adversely affect the eligibility of the CREBs to qualify for a tax credit for the owner thereof, for federal income tax purposes. The Borrower agrees and warrants that it will not take or authorize or permit any action to be taken and has not taken or authorized or permitted any action to be taken and will not fail to take any action to comply with the Project Agreement which adversely affects the eligibility of the CREBs to qualify for a tax credit for the owner thereof, for federal income tax purposes. This agreement and warranty shall survive the termination of this Agreement.

**P. Completion Certificate.** The Borrower shall submit to CFC within 30 days after the completion of the Project, a Completion Certificate signed by an Authorized Officer of the Borrower.

**Q. Termination Certificate.** If the Borrower determines that the Project will not be completed as described in Section 5.01.P above, then the Borrower shall submit to CFC a Termination Certificate, within 30 days of a determination that:

(i) no further acquisition, construction or installation will occur with respect to the Project; and

(ii) the Borrower does not intend to make any further Advances.

**R. Other Information.** The Borrower shall furnish such other information as CFC may reasonably require relating to the Project.

**Section 5.02 Negative Covenants.** The Borrower covenants and agrees with CFC that until payment in full of the Note and performance of all obligations of the Borrower hereunder, the Borrower will not, directly or indirectly, without CFC's prior written consent:

**A. Limitations on Mergers.** Consolidate with, merge, or sell all or substantially all of its business or assets, or enter into an agreement for such consolidation, merger or sale, to another entity or person unless such action is either approved, as is evidenced by the prior written consent of CFC, or the purchaser, successor or resulting corporation is or becomes a member in good standing of CFC and assumes the due and punctual payment of the Note and the due and punctual performance of the covenants contained in the Mortgage and this Agreement.

**B. Limitations on Sale, Lease or Transfer of Capital Assets; Application of Proceeds.** Sell, lease or transfer (or enter into an agreement to sell, lease or transfer) any capital asset, except in accordance with this Section 5.02.B. If no Event of Default (and no event which with notice or lapse of time and notice would become an Event of Default) shall have occurred and be continuing, the Borrower may, without the prior written consent of CFC, sell, lease or transfer (or enter into an agreement to sell, lease or transfer) any capital asset in exchange for fair market value consideration paid to the Borrower if the value of such capital asset is less than five percent (5%) of Total Utility Plant and the aggregate value of capital assets sold, leased or transferred in any 12-month period is less than ten percent (10%) of Total Utility Plant.

**C. Limitation on Dividends, Patronage Refunds and Other Distributions.**

(i) Make Distributions in any calendar year if, after giving effect to the Distribution, the total Equity of the Borrower will be less than twenty percent (20%) of its Total Assets.

(ii) If, after giving effect to the Distribution, the total Equity of the Borrower will be less than twenty percent (20%) of its Total Assets, then the Borrower may nevertheless make Distributions of up to thirty percent (30%) of its total margins for the preceding calendar year.

(iii) Notwithstanding anything to the contrary in subparagraphs (i) and (ii) above, the Borrower shall not make any Distribution without the prior written consent of CFC if an Event of Default under this Agreement has occurred and is continuing.

**D. Limitations on Loans, Investments and Other Obligations.**

(i) (a) Purchase, or make any commitment to purchase, any stock, bonds, notes, debentures, or other securities or obligations of or beneficial interests in, (b) make, or enter into a commitment to make, any other investment, monetary or otherwise, in, (c) make, or enter into a commitment to make, any loan to, or (d) guarantee, assume, or otherwise become liable for, or enter into a commitment to guarantee, assume, or otherwise become liable for, any obligation of any Person if, after giving effect to such purchase, investment, loan, guarantee or commitment, the aggregate amount thereof would exceed the greater of fifteen percent (15%) of Total Utility Plant or fifty percent (50%) of Equity.

(ii) The following shall not be included in the limitation of purchases, investments, loans and guarantees in (i) above: (a) bonds, notes, debentures, stock, or other securities or obligations issued by or guaranteed by the United States or any agency or instrumentality thereof; (b) bonds, notes, debentures, stock, commercial paper, subordinated capital certificates, or any other security or obligation issued by CFC or by institutions whose senior unsecured debt obligations are rated by at least two nationally recognized rating organizations in either of their two highest categories; (c) investments incidental to loans made by CFC; (d) any deposit that is fully insured by the United States; (e) loans and grants made by any Governmental Authority to the Borrower under any rural economic development program, but only to the extent that such loans and grants are non-recourse to the Borrower; and (f) unretired patronage capital allocated to the Borrower by CFC, a cooperative from which the Borrower purchases electric power, or a statewide cooperative association of which Borrower is a member.

(iii) In no event may the Borrower take any action pursuant to subsection (i) if an Event of Default under this Agreement has occurred and is continuing,

**E. Organizational Change.** Change its type of organization or other legal structure, except as permitted by Section 5.02.A. hereof, in which case the Borrower shall provide at least 30 days prior written notice to CFC together with all documentation reflecting such change as CFC may reasonably require.

**F. Notice of Change in Borrower Information.** Change its (i) state of incorporation, (ii) legal name, (iii) mailing address, or (iv) organizational identification number, if it has one, unless the Borrower provides written notice to CFC at least thirty (30) days prior to the effective date of any such change together with all documentation reflecting any such change as CFC may reasonably require.

## ARTICLE VI

## EVENTS OF DEFAULT

**Section 6.01** The following shall be "Events of Default" under this Agreement:

**A. Representations and Warranties.** Any representation or warranty made by the Borrower herein, or in any of the other Loan Documents, or in any certificate or financial statement furnished to CFC hereunder or under any of the other Loan Documents shall prove to be false or misleading in any material respect.

**B. Payment.** The Borrower shall fail to pay (whether upon stated maturity, by acceleration, or otherwise) any principal, interest, premium (if any) or other amount payable under the Note and the Loan Documents within five (5) Business Days after the due date thereof.

**C. Other Covenants.**

**(i) No Grace Period.** Failure of the Borrower to observe or perform any covenant or agreement contained in the Project Agreement or in Sections 5.01.A, 5.01.B, 5.01.D, 5.01.E, 5.01.G, 5.01.I, 5.01.N, 5.01.O and 5.02 of this Agreement.

**(ii) Thirty Day Grace Period.** Failure of the Borrower to observe or perform any other covenant or agreement contained in this Agreement or any of the other Loan Documents, which shall remain unremedied for thirty (30) calendar days after written notice thereof shall have been given to the Borrower by CFC.

**D. Legal Existence, Permits and Licenses.** The Borrower shall forfeit or otherwise be deprived of (i) its authority to conduct business in the jurisdiction in which it is organized or in any other jurisdiction where such authority is required in order for the Borrower to conduct its business in such jurisdiction or (ii) permits, easements, consents or licenses required to carry on any material portion of its business.

**E. Other CFC Obligations.** The Borrower shall be in breach or default of any Obligation, which breach or default continues uncured beyond the expiration of any applicable grace period.

**F. Other Obligations.** The Borrower shall (i) fail to make any payment of any principal, premium or any other amount due or interest on any indebtedness with parties other than CFC which shall remain unpaid beyond the expiration of any applicable grace period, or (ii) be in breach or default with respect to any other term of any evidence of any other indebtedness with parties other than CFC or of any loan agreement, mortgage or other agreement relating thereto which breach or default continues uncured beyond the expiration of any applicable grace period, if the effect of such failure, default or breach is to cause the holder or holders of that indebtedness to cause that indebtedness to become or be declared due prior to its stated maturity (upon the giving or receiving of notice, lapse of time, both or otherwise).

**G. Involuntary Bankruptcy.** An involuntary case or other proceeding shall be commenced against the Borrower seeking liquidation, reorganization or other relief with respect to it or its debts under bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property and such involuntary case or other proceeding shall continue without dismissal or

stay for a period of sixty (60) days; or an order for relief shall be entered against the Borrower under the federal bankruptcy laws or applicable state law as now or hereafter in effect.

**H. Insolvency.** The Borrower shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall admit in writing its inability to, or be generally unable to, pay its debts as they become due, or shall take any action to authorize any of the foregoing.

**I. Dissolution or Liquidation.** Other than as provided in subsection H. above, the dissolution or liquidation of the Borrower, or failure by the Borrower promptly to forestall or remove any execution, garnishment or attachment of such consequence as will impair its ability to continue its business or fulfill its obligations and such execution, garnishment or attachment shall not be vacated within sixty (60) days. The term "dissolution or liquidation of the Borrower", as used in this subsection, shall not be construed to include the cessation of the corporate existence of the Borrower resulting either from a merger or consolidation of the Borrower into or with another corporation following a transfer of all or substantially all its assets as an entirety, under the conditions set forth in Section 5.02.A.

**J. Material Adverse Change.** Any material adverse change in the business or condition, financial or otherwise, of the Borrower.

**K. Monetary Judgment.** The Borrower shall suffer any money judgment not covered by insurance, writ or warrant of attachment or similar process involving an amount in excess of $100,000 and shall not discharge, vacate, bond or stay the same within a period of sixty (60) days.

**L. Nonmonetary Judgment.** One or more nonmonetary judgments or orders (including, without limitation, injunctions, writs or warrants of attachment, garnishment, execution, distraint, replevin or similar process) shall be rendered against the Borrower that, either individually or in the aggregate, could reasonably be expected to have a material adverse effect upon the business, operations, prospects, assets, liabilities or financial condition of the Borrower.

## ARTICLE VII

## REMEDIES

**Section 7.01** If any of the Events of Default listed in Section 6 hereof shall occur after the date of this Agreement and shall not have been remedied within the applicable grace periods specified therein, then CFC may:

(i) Cease making Advances hereunder;

(ii) Declare all unpaid principal outstanding on the Note, all accrued and unpaid interest thereon, and all other Obligations to be immediately due and payable and the same shall thereupon become immediately due and payable without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived;

(iii) Exercise rights of setoff or recoupment and apply any and all amounts held, or hereby held, by CFC or owed to the Borrower or for the credit or account of the Borrower against any and all of the Obligations of the Borrower now or hereafter existing hereunder or under the Note, including, but not limited to, patronage capital allocations and retirements, money due to Borrower from equity certificates purchased from CFC, and any membership or other fees that would otherwise be returned to Borrower but excluding any LCTCs purchased by the Borrower pursuant to this Agreement. The rights of CFC under this section are in addition to any other rights and remedies (including other rights of setoff or recoupment) which CFC may have. The Borrower waives all rights of setoff, deduction, recoupment or counterclaim;

(iv) Pursue all rights and remedies available to CFC that are contemplated by the Mortgage and the other Loan Documents in the manner, upon the conditions, and with the effect provided in the Mortgage and the other Loan Documents, including, but not limited to, a suit for specific performance, injunctive relief or damages;

(v) Pursue any other rights and remedies available to CFC at law or in equity.

Nothing herein shall limit the right of CFC to pursue all rights and remedies available to a creditor following the occurrence of an Event of Default. Each right, power and remedy of CFC shall be cumulative and concurrent, and recourse to one or more rights or remedies shall not constitute a waiver of any other right, power or remedy.

## ARTICLE VIII

## MISCELLANEOUS

**Section 8.01 Notices.** All notices, requests and other communications provided for herein including, without limitation, any modifications of, or waivers, requests or consents under, this Agreement shall be given or made in writing (including, without limitation, by telecopy) and delivered to the intended recipient at the "Address for Notices" specified below; or, as to any party, at such other address as shall be designated by such party in a notice to each other party. All such communications shall be deemed to have been duly given (i) when personally delivered including, without limitation, by overnight mail or courier service, (ii) in the case of notice by United States mail, certified or registered, postage prepaid, return receipt requested, upon receipt thereof, or (iii) in the case of notice by telecopy, upon transmission thereof, provided such transmission is promptly confirmed by either of the methods set forth in clauses (i) or (ii) above in each case given or addressed as provided for herein. The Address for Notices of each of the respective parties is as follows:

National Rural Utilities Cooperative Finance Corporation
2201 Cooperative Way
Herndon, Virginia 20171-3025
Attention: Senior Vice President – Member Services
Fax # 703-709-6776

The Borrower:

The address set forth in
Schedule 1 hereto

**Section 8.02 Expenses.** Borrower shall reimburse CFC for any reasonable costs and out-of-pocket expenses paid or incurred by CFC (including, without limitation, reasonable fees and expenses of outside attorneys, paralegals and consultants) for all actions CFC takes, (a) to enforce the payment of any Obligation, to effect collection of any Mortgaged Property, or in preparation for such enforcement or collection, (b) to institute, maintain, preserve, enforce and foreclose on CFC's security interest in or Lien on any of the Mortgaged Property, whether through judicial proceedings or otherwise, (c) to restructure any of the Obligations, (d) to review, approve or grant any consents or waivers hereunder, (e) to prepare, negotiate, execute, deliver, review, amend or modify this Agreement, (f) to prepare, negotiate, execute, deliver, review, amend or modify any other agreements, documents and instruments deemed necessary or appropriate by CFC in connection with any of the foregoing, and (g) to obtain any opinions required to be furnished upon a Determination of Tax Credit Ineligibility and an extraordinary prepayment as set forth in Section 3.04 hereof or a rescission of excess money as set forth in Section 3.05 or a cancellation of excess moneys as set forth in Section 3.06.

The amount of all such expenses identified in this Section 8.02 shall be secured by the Mortgage and shall be payable upon demand, and if not paid, shall accrue interest at the Default Rate.

**Section 8.03 Late Payments.** If payment of any amount due hereunder is not received at CFC's office in Herndon, Virginia, or such other location as CFC may designate to the Borrower within five (5) Business Days after the due date thereof, the Borrower will pay to CFC, in addition to all other amounts due under the terms of the Loan Documents, any late payment charge as may be fixed by CFC from time to time pursuant to its policies of general application as in effect from time to time.

**Section 8.04. Non-Business Day Payments.** If any payment to be made by the Borrower hereunder shall become due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall be included in computing any interest in respect of such payment.

**Section 8.05 Filing Fees.** To the extent permitted by law, the Borrower agrees to pay all expenses of CFC (including the reasonable fees and expenses of its counsel) in connection with the filing, registration, recordation or perfection of the Mortgage and any other security instruments as may be required by CFC in connection with this Agreement, including, without limitation, all documentary stamps, recordation and transfer taxes and other costs and taxes incident to execution, filing, registration or recordation of any document or instrument in connection herewith. The Borrower agrees to save harmless and indemnify CFC from and against any liability resulting from the failure to pay any required documentary stamps, recordation and transfer taxes, recording costs, or any other expenses incurred by CFC in connection with this Agreement. The provisions of this subsection shall survive the execution and delivery of this Agreement and the payment of all other amounts due under the Loan Documents.

**Section 8.06 Waiver; Modification.** No failure on the part of CFC to exercise, and no delay in exercising, any right or power hereunder or under the other Loan Documents shall operate as a waiver thereof, nor shall any single or partial exercise by CFC of any right hereunder, or any abandonment or discontinuance of steps to enforce such right or power, preclude any other or further exercise thereof or the exercise of any other right or power. No modification or waiver of any provision of this Agreement, the Note or the other Loan Documents and no consent to any departure by the Borrower therefrom shall in any event be effective unless the same shall be in writing by the

party granting such modification, waiver or consent, and then such modification, waiver or consent shall be effective only in the specific instance and for the purpose for which given.

**SECTION 8.07 GOVERNING LAW; SUBMISSION TO JURISDICTION; WAIVER OF JURY TRIAL.**

(A) THE PERFORMANCE AND CONSTRUCTION OF THIS AGREEMENT AND THE NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE COMMONWEALTH OF VIRGINIA.

(B) THE BORROWER HEREBY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF THE UNITED STATES COURTS LOCATED IN VIRGINIA AND OF ANY STATE COURT SO LOCATED FOR PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. THE BORROWER IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTIONS THAT IT MAY NOW OR HEREAFTER HAVE TO THE ESTABLISHING OF THE VENUE OF ANY SUCH PROCEEDINGS BROUGHT IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

(C) THE BORROWER AND CFC EACH HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

**SECTION 8.08 INDEMNIFICATION.** THE BORROWER HEREBY INDEMNIFIES AND AGREES TO HOLD HARMLESS, AND DEFEND CFC AND ITS MEMBERS, DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, ATTORNEYS AND REPRESENTATIVES (EACH AN "INDEMNITEE") FOR, FROM, AND AGAINST ALL CLAIMS, DAMAGES, LOSSES, LIABILITIES, COSTS, AND EXPENSES (INCLUDING, WITHOUT LIMITATION, COSTS AND EXPENSES OF LITIGATION AND REASONABLE ATTORNEYS' FEES) ARISING FROM ANY CLAIM OR DEMAND IN RESPECT OF THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS, THE MORTGAGED PROPERTY, OR THE TRANSACTIONS DESCRIBED IN THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS AND ARISING AT ANY TIME, WHETHER BEFORE OR AFTER PAYMENT AND PERFORMANCE OF ALL OBLIGATIONS UNDER THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS IN FULL, EXCEPTING ANY SUCH MATTERS ARISING SOLELY FROM THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF CFC OR ANY INDEMNITEE INCLUDING WITHOUT LIMITATION ANY DETERMINATION MADE OR OTHER ACTION TAKEN BY CFC PURSUANT TO SECTIONS 3.04, 3.05 and 3.06 OF THIS AGREEMENT. NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN SECTION 8.10 HEREOF, THE OBLIGATIONS IMPOSED UPON THE BORROWER BY THIS SECTION SHALL SURVIVE THE REPAYMENT OF THE NOTE, THE TERMINATION OF THIS AGREEMENT AND THE TERMINATION OR RELEASE OF THE LIEN OF THE MORTGAGE.

**Section 8.09 Complete Agreement.** This Agreement, together with the schedules to this Agreement, the Note and the other Loan Documents, and the other agreements and matters referred to herein or by their terms referring hereto, is intended by the parties as a final expression of their agreement and is intended as a complete statement of the terms and conditions of their agreement. In the event of any conflict in the terms and provisions of this Agreement and any other Loan Documents, the terms and provisions of this Agreement shall control.

**Section 8.10 Survival; Successors and Assigns.** All covenants, agreements, representations and warranties of the Borrower which are contained in this Agreement shall survive the execution and delivery to CFC of the Loan Documents and the making of the Loan hereunder and shall continue in full force and effect until all of the obligations under the Loan Documents have been paid in full. All covenants, agreements, representations and warranties of the Borrower which are contained in this Agreement shall inure to the benefit of the successors and assigns of CFC. The Borrower shall not have the right to assign its rights or obligations under this Agreement without the prior written consent of CFC, except as provided in Section 5.02.A hereof.

**Section 8.11 Use of Terms.** The use of the singular herein shall also refer to the plural, and vice versa.

**Section 8.12 Headings.** The headings and sub-headings contained in this Agreement are intended to be used for convenience only and do not constitute part of this Agreement.

**Section 8.13 Severability.** If any term, provision or condition, or any part thereof, of this Agreement, the Note or the other Loan Documents shall for any reason be found or held invalid or unenforceable by any governmental agency or court of competent jurisdiction, such invalidity or unenforceability shall not affect the remainder of such term, provision or condition nor any other term, provision or condition, and this Agreement, the Note and the other Loan Documents shall survive and be construed as if such invalid or unenforceable term, provision or condition had not been contained therein.

**Section 8.14 Binding Effect.** This Agreement shall become effective when it shall have been executed by both the Borrower and CFC and thereafter shall be binding upon and inure to the benefit of the Borrower and CFC and their respective successors and assigns.

**Section 8.15 Counterparts.** This Agreement may be executed in one or more counterparts, each of which will be deemed an original and all of which together will constitute one and the same document. Signature pages may be detached from the counterparts and attached to a single copy of this Agreement to physically form one document.

**Section 8.16 Disclosure.** This Agreement and any other Loan Document may be shared by CFC with such Persons as shall be required in order to facilitate the issuance of the CREBs, including, but not limited to, its attorneys, underwriters and investors in the CREBs.

**Section 8.17 Schedule 1.** Schedule 1 attached hereto is an integral part of this Agreement.

**IN WITNESS WHEREOF,** the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

SULPHUR SPRINGS VALLEY
ELECTRIC COOPERATIVE, INC.

(SEAL)

By: Gene Manning

Title: President

Attest: _____
~~Secretary~~

CREDEN W. HUBER
CHIEF EXECUTIVE OFFICER

NATIONAL RURAL UTILITIES
COOPERATIVE FINANCE CORPORATION

(SEAL)

By: Marianne Dusold
Assistant Secretary-Treasurer
MARIANNE L DUSOLD

Attest: _____
Assistant Secretary-Treasurer

CRAIG COLANTONI

## SCHEDULE 1

1. The purpose of this loan is to finance (i) the reimbursement of the cost of the Project of the Borrower, including any reasonable costs and expenses incurred by the Borrower in connection with financing the Project, as described and permitted by the terms of the Project Agreement and (ii) a portion of CFC's costs in issuing the CREBs as set forth in Section 3.02.A.

2. The Project of the Borrower being financed by the Loan (funded by proceeds of the CREBs) constitutes the following clean renewable energy facilities:

   Pomerene Elementary School District Photovoltaic Solar Automobile Parking Shade Structure

   This project will place a photovoltaic module that will produce 23 kW of electricity in the shade structure at the Pomerene Elementary School. The PV structure will provide electricity to the school with excess power flowing to the Borrower's system.

3. Subject to the terms of this Agreement, CFC has agreed to loan to the Borrower from proceeds of the CREBs, an amount not to exceed $280,000.00 (the "CFC Commitment").

4. Draw Period shall mean the period beginning on the Closing Date and ending on the date that is five (5) years thereafter.

5. The Borrower shall not purchase the LCTCs or any portion thereof with funds from the Loan. The Borrower shall use its own funds or funds borrowed under another credit facility to purchase such LCTCs, subject to the CFC policies regarding LCTCs set forth in the following paragraph.

   **CFC Policies Regarding LCTCs:** (i) Any solvent Member of CFC with an outstanding LCTC purchased in connection with a loan from the proceeds of Securities may borrow the outstanding amount of the LCTC from CFC without a further credit review, for a term equal to or shorter than the maturity of the LCTC at a rate equal to the comparable rate charged by CFC for similarly classified loans; and (ii) any Member of CFC with an outstanding LCTC purchased in connection with a loan from the proceeds of Securities may sell such LCTC to another Member of CFC for consideration.

6. The Mortgage shall mean the Restated Mortgage and Security Agreement, dated as of December 6, 2007, between the Borrower and CFC, as it may have been supplemented, amended, consolidated, or restated from time to time.

7. The Note executed pursuant hereto is as follows:

| LOAN NUMBER | AMOUNT |
|---|---|
| AZ014-A-9045-CB001 | $280,000.00 |

8. The Subsidiaries of the Borrower referred to in Section 2.01.B. are: None

9. The date of the Borrower's balance sheet referred to in Section 2.01.H is June 30, 2006.

10. The Borrower's exact legal name is: Sulphur Springs Valley Electric Cooperative, Inc.

11. The Borrower's organizational type is: Corporation

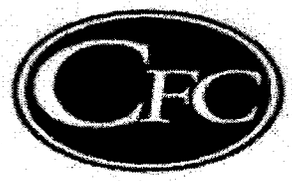
12. The Borrower is organized under the laws of the state of: Arizona

13. The Borrower's organizational identification number is: 0038220-2

14. The place of business or, if more than one, the chief executive office of the Borrower referred to in Section 2.01.I is 311 East Wilcox, Sierra Vista, Arizona 85635.

15. The Governmental Authority referred to in Section 2.01.J. is: Arizona Corporation Commission

16. The address for notices to the Borrower referred to in Section 8.01 is 311 East Wilcox, Sierra Vista, Arizona 85635, Attention: General Manager, Fax: (520) 384-5223.



## Exhibit A - Funds Requisition Statement

Borrower Name & ID: Sulphur Springs Valley Electric Cooperative, Inc. (AZ014)
Loan Number: AZ014-A-9045-CB001
Loan Agreement and Project Agreement with CFC dated:
CREBs Series: 2008A
CFC CREBs Application #: 15
Name of Project: Pomerene Elementary School District Photovoltaic Solar Automobile Parking Shade Structure
Funds Requisition Statement No.:

**Amount Requested:**
**Date Of Advance:**

**Disposition of Funds (wiring instructions):**

### Certification

Acting on behalf of the Borrower, I hereby certify that as of the date below: (1) I am duly authorized to make this certification and to request funds on the terms specified herein; (2) the Borrower has met all of the conditions contained in the Loan Agreement and the Project Agreement listed above governing the terms of this Advance that the Borrower is required to meet prior to an Advance of funds; (3) all of the representations and warranties contained in said Loan Agreement and Project Agreement are true and will continue to be true upon use of the funds as hereby requested; (4) no Event of Default, under the Loan Agreement or the Borrower's Mortgage, has occurred and is continuing; (5) I know of no other event that has occurred which, with the lapse of time and/or notification to CFC of such event, or after giving effect to this Advance, would become an Event of Default under the Loan Agreement or the Borrower's Mortgage; (6) the funds requested herein will be used only as a reimbursement for the purposes specified in the Loan Agreement and the Project Agreement; (7) the costs to be reimbursed by the funds requested herein are capital expenditures and have not previously been reimbursed under a previous Funds Requisition Statement; (8) the Borrower has secured sufficient funds to complete the Project; (9) any necessary permits and approvals required for the Project at this point have been obtained; (10) the Borrower is maintaining a file containing true and correct copies of invoices or bills of sale covering all items for which payment is sought by this request; (11) such costs have been incurred and paid by the Borrower in connection with the Project; (12) the Borrower is not using the funds requested hereby to make any payments of principal or interest due under the Loan Agreement; (13) no expenditure which is being reimbursed by the funds requested hereby was paid more than eighteen months after the later of (i) the date the expenditure is paid or (ii) the date the Project is placed in service, but in no event later than three years after the date the original expenditure was paid; and (14) set forth below is a table listing all of the major components of the Project, how much is being requested in this Funds Requisition Statement as an advance for certain components, how much has been

advanced on each component to date, the percentage of each component that is completed to date, and the purpose of the advance(s) being requested by this Funds Requisition Statement.

I hereby authorize CFC, for and on behalf of the Borrower, to forward this Funds Requisition Statement to the Trustee for disbursement of the Advance from the Project Account relating to the above Loan to the Borrower on the following terms, and hereby acknowledge and agree that such terms shall be binding upon Borrower under the provisions of the Loan Agreement governing this Advance:

| Project Component | Amount Expended to Date by Borrower | Amount Advanced to Date | Advance Amount Requested Herein | Percentage Complete |
|---|---|---|---|---|
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| Total | | | | |

Certified By:

_____ _____ _____

Signature Date Title of Authorized Officer

**PLEASE FAX TO 703-709-6776 ATTN: _____, Associate Vice President**

APPROVED:

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION

By: _____
Title: _____
Date: _____

**EXHIBIT B**

**BRING-DOWN CERTIFICATE**
**OF**
**BORROWER**

The undersigned, _____, duly qualified officers of SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (the *"Borrower"*), an Arizona corporation, hereby certify as follows:

1. The following documents have been duly executed, and delivered or accepted in the name and on behalf of the Borrower by the authorized officer or officers of the Borrower pursuant to, and in full compliance with, authority granted by the Board of Trustees/Directors of the Borrower:

| DOCUMENT | DATE | OTHER PARTY OR PARTIES |
|---|---|---|
| Loan Agreement (the *"Agreement"*) | _____, 200_ | National Rural Utilities Cooperative Finance Corporation (*"CFC"*) |
| Project Agreement (the *"Project Agreement"*) | _____, 200_ | |
| Note (the *"Note"*) | _____, 200_ | |

2. Each of the representations and warranties of the Borrower in the Loan Agreement and the Project Agreement are true and correct on and as of the date hereof (the *"Closing Date"*), and the Borrower has complied with all agreements and satisfied all conditions on its part to be observed or satisfied thereunder at or prior to the Closing Date.

IN WITNESS WHEREOF, the undersigned have hereunto set their signatures this ____ day of _____, 2008.

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

By _____
Title:

By _____
Title:

**EXHIBIT C**

**COMPLETION CERTIFICATE**
**OF**
**BORROWER**

Pursuant to the Loan Agreement dated as of _____ by and between SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (the "Borrower") and National Rural Utilities Cooperative Finance Corporation ("CFC") relating to CFC Loan Number AZ014-A-9045-CB001 (the "Loan Agreement"), the undersigned, _____, duly qualified officer of the Borrower, hereby certifies as follows:

(i) On [date of completion] all portions of the Project (as defined in the Loan Agreement) have been fully completed substantially in accordance with any plans and specifications therefore, as then amended; and

(ii) Amount advanced on the Loan (as defined in the Loan Agreement) and the use of the property financed, refinanced or reimbursed therefrom will not cause any of the representations or certifications contained in the Project Agreement (as defined in the Loan Agreement) to be untrue or result in a violation of any covenant in the Project Agreement.

IN WITNESS WHEREOF, the undersigned have hereunto set his/her signature this ____ day of _____, 20____.

SULPHUR SPRINGS VALLEY ELECTRIC
COOPERATIVE, INC.

By _____
Title:

**EXHIBIT D**

**TERMINATION CERTIFICATE**
**OF**
**BORROWER**

Pursuant to the Loan Agreement dated as of _____ by and between SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (the "Borrower") and National Rural Utilities Cooperative Finance Corporation ("CFC") relating to CFC Loan Number AZ014-A-9045-CB001 (the "Loan Agreement"), the undersigned, _____, duly qualified officer of the Borrower, hereby certifies as follows:

(i) all portions of the Project (as defined in the Loan Agreement) have not been fully completed substantially in accordance with any plans and specifications therefor, as then amended;

(ii) no further acquisition, construction or installation will occur with respect to the Project (as defined in the Loan Agreement); and

(iii) the Borrower does not intend to request any further Advances (as defined in the Loan Agreement) on the Loan (as defined in the Loan Agreement).

IN WITNESS WHEREOF, the undersigned have hereunto set his/her signature this ____ day of _____, 20____.

SULPHUR SPRINGS VALLEY ELECTRIC
COOPERATIVE, INC.

By _____
Title:

**SECURED PROMISSORY NOTE**

$2,520,000.00 dated as of 12/21/2007

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC., an Arizona corporation (the "Borrower"), for value received, hereby promises to pay, without setoff, deduction, recoupment or counterclaim, to the order of NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION (the "Payee"), at its office in Herndon, Virginia office or such other location at its office in Herndon, Virginia or such other location as the Payee may designate to the Borrower, in lawful money of the United States, the principal sum of TWO MILLION FIVE HUNDRED TWENTY THOUSAND AND 00/100 DOLLARS ($2,520,000.00), or such lesser sum of the aggregate unpaid principal amount of all advances made by the Payee pursuant to that certain Loan Agreement dated as of even date herewith between the Borrower and the Payee, as it may be amended from time to time (herein called the "Loan Agreement"), and to pay interest on all amounts remaining unpaid hereunder from the date of each advance in like money, at said office, at the rate and in amounts and payable on the dates provided in the Loan Agreement together with any other amount payable under the Loan Agreement. If not sooner paid, any balance of the principal amount and interest accrued thereon shall be due and payable on the Maturity Date.

This Note is secured under a Restated Mortgage and Security Agreement, dated of December 6, 2007 between the Borrower and the Payee, as it may have been or shall be supplemented, amended, consolidated or restated from time to time ("Mortgage"). This Note is one of the Notes referred to in, and has been executed and delivered pursuant to, the Loan Agreement.

The principal hereof and interest accrued thereon and any other amount due under the Loan Agreement may be declared to be forthwith due and payable in the manner, upon the conditions, and with the effect provided in the Mortgage or the Loan Agreement.

The Borrower waives demand, presentment for payment, notice of dishonor, protest, notice of protest, and notice of non-payment of this Note.

IN WITNESS WHEREOF the Borrower has caused this Note to be signed in its corporate name and its corporate seal to be hereunto affixed and to be attested by its duly authorized officers, all as of the day and year first above written.

SULPHUR SPRINGS VALLEY
ELECTRIC COOPERATIVE, INC.

(SEAL)

By: Gene Mannin

Title: President

Attest: _____
~~Secretary~~

CREDEN W. HUBER
CHIEF EXECUTIVE OFFICER

Loan No. AZ014-A-9046-CB001

CFC NOTE
AZ014-A-9046-CB001 (JABLONJ)
116046-2

**PROJECT AGREEMENT**

**OF**

**SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (THE *"BORROWER"*)**

DATED: as of 12/21/2007

The undersigned is a duly qualified officer of the Borrower named above and, as such officer, is familiar with (i) the properties, affairs and records of the Borrower, (ii) the issuance of the Securities (as hereinafter defined) and the use of the proceeds thereof as it relates to the Borrower and (iii) the Project, as hereinafter defined.

In connection with the issuance of the Clean Renewable Energy Bonds (Cooperative Renewable Energy Projects) Series 2008A (the *"Securities"*), being issued by the National Rural Utilities Cooperative Finance Corporation (the *"Issuer"*), the undersigned hereby certifies and covenants regarding the use of the proceeds of the Securities advanced to the Borrower, as follows:

1. General.

1.1 This Project Agreement is made pursuant to Section 54 of the Internal Revenue Code of 1986, as amended (the *"Code"*), and any United States Treasury regulations and other guidance thereunder to make the certifications required by Section 54 of the Code and any United Stares Treasury regulations and other guidance thereunder and to establish the reasonable expectations of the Borrower with respect to the amount and use of amounts to be advanced to the Borrower pursuant to the Loan Agreement dated as of even date herewith between the Issuer and the Borrower (the *"Loan Agreement"*). Capitalized terms used herein are defined where they first appear or are defined in *Exhibit A* attached hereto.

1.2 This Project Agreement is based on facts and estimates in existence on the date hereof and the continued veracity of these facts and estimates as of the date that the Securities are issued (the *"Closing"*) will be confirmed by the Borrower on the date of Closing, and on the basis of such facts and estimates, the Borrower expects that the events described herein will occur. To the best of the undersigned's knowledge, information, and belief, the expectations contained in this Project Agreement are reasonable.

1.3 The Borrower is a Qualified Borrower, as defined in *Exhibit A,* and is responsible for the acquiring/constructing/equipping of the Project (defined below). The undersigned has reviewed this Project Agreement, as well as the provisions of Section 54 of the Code and any United States Treasury regulations and other guidance thereunder, with its own legal counsel and understands and is familiar with this Project Agreement and the provisions of Section 54 and any United States Treasury regulations and other guidance thereunder. The Borrower will

comply in all respects with the provisions of Section 54 and any United States Treasury regulations and other guidance thereunder.

1.4 The Borrower agrees to keep and retain or cause to be kept and retained sufficient records to demonstrate compliance with the covenants in this Project Agreement. Such records shall include, but are not limited to, basic records relating to the issuance of the Securities (including this Project Agreement and the inducement resolution as described in Section 3.3 hereof); documentation evidencing the expenditure of amounts advanced to the Borrower pursuant to the Loan Agreement; documentation evidencing the use of property financed with amounts advanced to the Borrower pursuant to the Loan Agreement; and documentation evidencing all sources of payment or security maintained by the Borrower for amounts advanced to the Borrower pursuant to the Loan Agreement. Such records shall be kept until the date three (3) years after the CREB Maturity Date.

1.5 Neither the Borrower nor any Related Person (as defined in Exhibit A) to the Borrower will purchase any Securities.

2. Qualified Project.

2.1 The Loan Agreement requires the amounts advanced thereunder to be used for facilities to be owned by the Borrower, described in more detail in Section 2.2 hereof and in *Exhibit B* attached hereto as the "Updated Description of the Project" (the *"Project"*). The Project was originally described in an exhibit to the Application for National Clean Renewable Energy Bond Limitation submitted to the Internal Revenue Service by the Issuer in support of the national clean renewable energy bond allocation received by the Issuer, which "Original Description of the Project" is attached hereto as *Exhibit C*.

2.2 The Project is a Solar Energy Facility (the *"Qualifying Facility"*), as defined in *Exhibit A* and property functionally related and subordinate thereto, as further described in *Exhibit B*, attached hereto.

3. Clean Renewable Energy Bonds Qualification.

3.1 At least 95 percent of the proceeds advanced to the Borrower pursuant to the Loan Agreement will be used by the Borrower for capital expenditures with respect to the Project. None of the proceeds of the Loan (as defined in the Loan Agreement) will be paid to the Issuer, the Borrower or any Related Person to the Issuer or the Borrower, except for amounts paid to the Borrower to reimburse the Borrower for actual and direct expenditures relating to the Project paid by the Borrower to persons other than the Issuer, the Borrower or any Related Person to the Issuer or the Borrower.

3.2 The Borrower has incurred or will, within six months of the Closing Date, incur a substantial binding obligation (not subject to contingencies within the control of the Issuer, the Borrower or any Related Person to either of them) to a third party

to expend at least ten percent of the Loan Amount (*i.e.* the total amount to be advanced to the Borrower pursuant to the Loan Agreement). It is expected that the work of acquiring/constructing/equipping the Project and the expenditure of the Loan Amount will proceed with due diligence through April 21, 2008, at which time it is anticipated that the Loan Amount will have been spent in its entirety. The Borrower acknowledges that, to the extent that less than 95 percent of the Loan Amount is expended by a date five years from the date of issuance of the Securities, the Borrower will be required to prepay its Loan in an amount, and the Issuer will redeem Securities at the end of such five-year period in an amount, necessary to maintain the tax credit with respect to the Securities, unless otherwise permitted by Section 6.5 hereof.

It is expected that all amounts advanced to the Borrower under the Loan Agreement will be spent to pay costs of the Project in accordance with the estimated periodic drawdown schedule contained in *Exhibit D,* attached hereto. The assumptions set forth in this Section 3.2 and on *Exhibit D,* attached hereto, represent the Borrower's best estimate, as of this date, of the periodic drawdown schedule of the Loan Amount.

3.3 The Borrower may use amounts advanced to the Borrower under the Loan Agreement to reimburse itself for expenditures paid prior to the date of issuance of the Securities. The Borrower shall reimburse itself for expenditures paid prior to the date of issuance of the Securities only if such expenditure was paid after the Borrower adopted an inducement resolution, and the expenditure is described in such inducement resolution.

**The Borrower shall use proceeds of the Loan to reimburse itself for expenditures paid prior to the date the Securities were issued only if such reimbursement is made within eighteen months after the later of (i) the date the expenditure is paid or (ii) the date the Project is placed in service, but in no event later than three years after the date the original expenditure was paid.**

Except for any reimbursement allowed under this Section 3.3, no portion of the proceeds advanced to the Borrower will be used to pay for expenditures relating to acquiring existing facilities (as contrasted with costs of enhancements, repair or rehabilitation of existing facilities).

3.4 Neither the Project nor any portion thereof has been, is expected to be, or will be sold or otherwise disposed of, in whole or in part, prior to the last maturity date of the Securities.

3.5 The Borrower has entered into the Loan Agreement of even date hereof under which it is committed to borrow $2,520,000 from the Issuer of the Securities and the Borrower reasonably expects to borrow and expend the full amount of such commitment.

3.6 At least 75% of the Loan Amount is expected to be used for Construction Purposes.

3.7 The Borrower will not use proceeds of the Loan (i) to pre-pay for goods or services to be received over a period of years prior to the date such goods or services are to be received, or (ii) to pay for or otherwise acquire goods or services from an Affiliated Person, as defined in *Exhibit A*.

3.8 The Borrower shall at all times be a Qualified Borrower.

4. Remedial Action.

4.1 The Borrower agrees to operate the Project as a Qualifying Facility.

The Borrower acknowledges that if property financed with proceeds of the Securities advanced to the Borrower is operated in a manner other than as a Qualifying Facility such operation may constitute a "deliberate action" that may require remedial actions to prevent the tax credit being produced by the Securities from being disallowed.

The Borrower shall promptly contact the Issuer as provided in Section 6.3 hereof if it considers operating property financed with proceeds of the Loan other than as a Qualifying Facility.

4.2 The Borrower acknowledges that if property financed with proceeds of the Loan is sold or otherwise disposed of in a manner contrary to the provisions of Section 3.4 hereof, such sale or disposition may constitute a "deliberate action" that may require remedial actions to prevent the tax credit being produced by the Securities from being disallowed. If the Borrower considers the sale or other disposition of property financed with proceeds of the Loan, it shall promptly contact the Issuer, in the manner set forth in Section 6.3 hereof.

5. Funds and Accounts; Investments.

5.1 After the issuance of the Securities, neither the Borrower nor any Related Person to the Borrower has or will have any property, including cash, securities or any other property held as a passive vehicle for the production of income or for investment purposes, that constitutes:

(i) amounts that have a sufficiently direct nexus to the Securities or to the governmental purpose of the Securities to conclude that the amounts would have been used for that governmental purpose if the Securities were not used or to be used for that governmental purpose (the mere availability or preliminary earmarking of such amounts for a governmental purpose, however, does not itself establish such a sufficient nexus);

(ii) amounts in a debt service fund, redemption fund, reserve fund, replacement fund or any similar fund to the extent reasonably expected to be used directly or indirectly to pay principal of or interest on the Securities or any amounts for which there is provided, directly or indirectly, a reasonable assurance that the amount will be available to pay principal of or interest on the Securities or any credit enhancement or liquidity device with respect to the Securities, even if the Issuer, the Borrower or any Related Person to either of them encounter financial difficulties; or

(iii) any amounts held pursuant to any agreement (such as an agreement to maintain certain levels of types of assets) made for the benefit of the holders of the Securities or any credit enhancement provider, including any liquidity device or negative pledge (*e.g.*, any amount pledged to pay principal of or interest on an issue held under an agreement to maintain the amount at a particular level for the direct or indirect benefit of holders of the Securities or a guarantor of the Securities).

No compensating balance, liquidity account, negative pledge of property held for investment purposes required to be maintained at least at a particular level or similar arrangement exists with respect to, in any way, the Securities or any credit enhancement or liquidity device related to the Securities.

5.2 During the acquiring/constructing/equipping of the Project, the Borrower will only draw down amounts from the Issuer for capital expenditures already paid by the Borrower.

5.3 Neither the Borrower nor any Related Person to the Borrower will enter into any hedge (*e.g.*, an interest rate swap, interest rate cap, futures contract, forward contract or an option) with respect to the Loan or the Securities.

5.4 All property subject to the Mortgage is and will be used by the Borrower in the conduct of its trade or business. The Borrower reasonably expects to repay the Loan from current operating revenues. The Mortgage does not require that cash, securities, obligations, annuity contracts or other property held principally as a passive vehicle for the production of income be maintained, individually or collectively, at any particular level.

6. Miscellaneous.

6.1 This Project Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia.

6.2 Prior to the date 15 days before the Securities were sold, neither the Borrower nor any Related Person to the Borrower has sold or delivered any obligations that are reasonably expected to be paid out of substantially the same source of funds as the Securities. Neither the Borrower nor any Related Person to the Borrower will sell

or deliver within 15 days after the date hereof any obligations that are reasonably expected to be paid out of substantially the same source of funds as the Securities.

6.3 All notices provided for herein shall be given or made in writing (including, without limitation, by telecopy) and delivered to the Issuer at the "Address for Notices" specified below. All such communications shall be deemed to have been duly given (i) when personally delivered including, without limitation, by overnight mail or courier service, (ii) in the case of notice by United States mail, certified or registered, postage prepaid, return receipt requested, upon receipt thereof, or (iii) in the case of notice by telecopy, upon transmission thereof, provided such transmission is promptly confirmed by either of the methods set forth in clauses (i) or (ii) above in each case given or addressed as provided for herein. The Address for Notices of the Issuer is as follows:

National Rural Utilities Cooperative Finance Corporation
2201 Cooperative Way
Herndon, Virginia 20171-3025
Attention: Senior Vice President – Member Services
Fax #703-709-6776

6.4 The Borrower represents that it has not been contacted by the Internal Revenue Service or any issuer of bonds, the proceeds of which were loaned to the Borrower regarding any examination of any tax exempt bonds issued for the benefit of the Borrower. To the best of the knowledge of the Borrower, no such obligations of the Borrower are currently under examination by the Internal Revenue Service.

6.5 Any restriction or covenant contained herein need not be observed or may be changed if such nonobservance or change will not result in the loss of any tax credit under Section 54 of the Code for the purpose of federal income taxation to which the Securities is otherwise entitled and the Borrower receives an opinion of Bond Counsel to such effect and the Issuer agrees to such nonobservance or change.

6.6 If any clause, provision or section of this Project Agreement is ruled invalid by any court of competent jurisdiction, the invalidity of such clause, provision or section shall not affect any of the remaining clauses, sections or provisions hereof.

6.7 The terms, provisions, covenants and conditions of this Project Agreement shall bind and inure to the benefit of the respective successors and assigns of the Issuer and the Borrower.

6.8 This Project Agreement shall terminate on the date three (3) years after the CREB Maturity Date.

The undersigned acknowledge that this Project Agreement is given as a basis for an opinion of the law firm of Chapman and Cutler LLP, Chicago, Illinois, and such firm is hereby authorized to rely on this Project Agreement.

DATED as of the day and year first above written.

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

By Gene Manning

Title President

## EXHIBIT A

## DEFINITIONS

*"Affiliated Person"* means any Person that (a) at any time during the six months prior to the Closing Date, (i) has more than five percent of the voting power of the governing body of the Issuer or the Borrower in the aggregate vested in its directors, officers, owners, and employees or (ii) has more than five percent of the voting power of its governing body in the aggregate vested in directors, officers, board members, owners, members or employees of the Issuer or the Borrower or (b) during the one-year period beginning six months prior to the Closing Date, (i) the composition of the governing body of which is modified or established to reflect (directly or indirectly) representation of the interests of the Issuer or the Borrower (or for which an agreement, understanding, or arrangement relating to such a modification or establishment during that one-year period) or (ii) the composition of the governing body of the Issuer or the Borrower is modified or established to reflect (directly or indirectly) representation of the interests of such Person (or for which an agreement, understanding, or arrangement relating to such a modification or establishment during that one-year period).

*"Bond Counsel"* means Chapman and Cutler LLP or any other nationally recognized firm of attorneys experienced in the field of municipal obligations whose opinions are generally accepted by purchasers of municipal obligations.

*"Closing Date"* means the date the Issuer issues the Securities.

*"Code"* means the Internal Revenue Code of 1986, as amended.

*"Constructed Personal Property"* means tangible personal property (or, if acquired pursuant to a single acquisition contract, properties) or Specially Developed Computer Software if (i) a substantial portion of the property or properties is completed more than six (6) months after the earlier of the date construction or rehabilitation commenced and the date the Borrower entered into an acquisition contract; (ii) based on the reasonable expectations of the Borrower, if any, or representations of the person constructing the property, with the exercise of due diligence, completion of construction or rehabilitation (and delivery to the issuer) could not have occurred within that six-month period; and (iii) if the Borrower itself builds or rehabilitates the property, not more than 75 percent of the capitalizable cost is attributable to property acquired by the Borrower (*e.g.*, components, raw materials, and other supplies).

*"Construction Purposes"* means capital expenditures that are allocable to the cost of Real Property or Constructed Personal Property. Except as provided in the next succeeding sentence, construction expenditures do not include expenditures for acquisitions of interests in land or other existing real property. Expenditures are not for the acquisition of an interest in existing real property other than land if the contract between the seller and the Borrower requires the seller to build or install the property (*e.g.*, a *turnkey contract*), but only to the extent that the property has not been built or installed at the time the parties enter into the contract.

*"Control"* means the possession, directly or indirectly through others, of either of the following discretionary and non-ministerial rights or powers over another entity (i) to approve and to remove without cause a controlling portion of the governing body of a Controlled Entity, or (ii) to require the use of funds or assets of a Controlled Entity for any purpose.

*"Controlled Entity"* means any entity or one of a group of entities that is subject to Control by a Controlling Entity or group of Controlling Entities.

*"Controlled Group"* means a group of entities directly or indirectly subject to Control by the same entity or group of entities, including the entity that has the Control of the other entities.

*"Controlling Entity"* means any entity or one of a group of entities directly or indirectly having Control of any entities or group of entities.

*"CREB Maturity Date"* shall have the meaning ascribed to it in the Loan Agreement.

*"Governmental Body"* means any State, territory, possession of the United States, the District of Columbia, Indian tribal government, and any political subdivision thereof.

*"Mortgage"* means the mortgage and security agreement applicable to substantially all of the property of the Borrower.

*"Qualified Borrower"* means (i) a mutual or cooperative electric company described in Sections 501(c)(12) or 1381(a)(2)(C) of the Code, or (ii) a Governmental Body (as defined above).

*"Real Property"* means land and improvements to land, such as buildings or other inherently permanent structures, including interests in real property. For example, real property includes wiring in a building, plumbing systems, central heating or air-conditioning systems, pipes or ducts, elevators, escalators installed in a building, paved parking areas, roads, wharves and docks, bridges, and sewage lines.

*"Related Person"* means any member of the same Controlled Group as the Issuer or the Borrower and any person related to the Issuer or a Borrower within the meaning of Section 144(a)(3) of the Code.

*"Solar Energy Facility"* means a facility using solar energy to produce electricity.

*"Specially Developed Computer Software"* means any programs or routines used to cause a computer to perform a desired task or set of tasks, and the documentation required to describe and maintain those programs, provided that the software is specially developed and is functionally related and subordinate to real property or other constructed personal property.

*"Tangible Personal Property"* means any tangible property other than real property, including interests in tangible personal property. For example, tangible personal property

includes machinery that is not a structural component of a building, subway cars, fire trucks, automobiles, office equipment, testing equipment, and furnishings.

## EXHIBIT B

## UPDATED DESCRIPTION OF THE PROJECT

| | |
|---|---|
| CFC Application | No. 16 Sulphur Springs Valley Electric Cooperative, Inc. |
| Bond Proceeds Needed for Project: | $2,520,000 |
| Bond Allocation Requested and Received: | $2,520,000 |
| Name of Project | Sierra Vista School District Photovoltaic Solar Automobile Parking Shade Structure |

Project Street Addresses

| | | |
|---|---|---|
| Buena High School | Bella Vista Elementary School | Huachuca Mountain Elementary School |
| 5225 E. Buena School Blvd.<br>Sierra Vista, AZ 85635<br>Phone (520) 515-2800<br>Fax (520) 515-2877 | 801 N. Lenzner Ave.<br>Sierra Vista, AZ 83635<br>Phone (520) 515-2940<br>Fax (520) 515-2948 | 3228 St. Andrews<br>Sierra Vista, AZ 85650<br>Phone (520) 515-2960<br>Fax (520) 515-2966 |
| Sierra Vista Middle School | Carmichael Elementary School | Town & Country Elementary School |
| 1045 S. Lenzner Ave.<br>Sierra Vista, AZ 85635<br>Phone (520) 515-2930<br>Fax (520) 515-2941 | 701 NE Carmichael Ave.<br>Sierra Vista, AZ 85635<br>Phone (520) 515-2950<br>Fax (520) 515-2951 | 1313 S. Lenzner Ave.<br>Sierra Vista, AZ 85635<br>Phone (520) 515-2980<br>Fax (520) 515-2985 |
| Apache Middle School | Pueblo del Sol Elementary School | Village Meadows Elementary School |
| 3305 E. Fry Boulevard<br>Sierra Vista, AZ 85635<br>Phone (520) 515-2920<br>Fax (520) 515-2900 | 5130 Paseo Las Palmas<br>Sierra Vista, AZ 85635<br>Phone (520) 515-2970<br>Fax (520) 515-2973 | 905 El Camino Real<br>Sierra Vista, AZ 85635<br>Phone (520) 515-2990<br>Fax (520) 515-5994 |

County where Projects are located Cochise County

| | |
|---|---|
| Individual Name to Contact | Jack Blair |
| Company Name | Sulphur Springs Valley Electric Cooperative, Inc. |
| Street Address | 311 E. Wilcox Drive |
| City, State, Zip | Sierra Vista, AZ 85635 |
| Telephone Number | (520) 515-3470 |
| Fax | (520) 458-3467 |

Updated Detailed Description of the Project:

A cantilevered shade structure at a school on the top of which will be constructed a 23kW solar photovoltaic system to supply power to the school. Excess power will flow on to the SSVEC system.

## EXHIBIT C

## ORIGINAL DESCRIPTION OF THE PROJECT

## [ATTACH COPY OF EXHIBIT A TO ISSUER APPLICATION TO THE IRS]
## CLEAN RENEWABLE ENERGY BONDS APPLICATION
## EXHIBIT A

## SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

## SIERRA VISTA SCHOOL DISTRICT PHOTOVOLTAIC SOLAR SHADE STRUCTURE

This project will place photovoltaic modules costing $280,000 each, that will produce 23 kW of electricity in the shade structures in the nine Sierra Vista School District schools. The PV structure will provide electricity to the respective school at no charge. There will also be a cable connection to a computer in the library of each school to show students how the system is working.

This project is the identical project that Navopache Electric Cooperative in Arizona built in 2001 that continues to function with no issues/problems.

SSVEC will operate and maintain the structure. Any excess power produced will flow back to the SSVEC grid.

The PV structures at the schools will significantly reduce their electric bills, which have been disproportionately large due to the per meter monthly surcharges mandated by the Environmental Portfolio Program (EPP), and approved by the Arizona Corporation Commission. All customers pay the EPP fees to SSVEC, which uses them to fund renewable energy projects. Since each school has many meters, they pay the EPP a disproportionately large amount of dollars. The benefit of reduced electric bills will offset their payments into the fund.

The RFP issued by Sulphur Springs Valley Electric Cooperative follows.

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

A TOUCHSTONE ENERGY® COOPERATIVE

FOR THE ELECTRIC COOPERATIVES IN THE STATE OF ARIZONA

# REQUEST A PROPOSAL

FOR

# A PHOTOVOLTAIC SYSTEM USED FOR SHADE STRUCTURES FOR PUBLIC BUILDINGS

ISSUED: AUGUST 1, 2005

Narrative: The Electric Cooperatives in Arizona (Duncan Valley EC, Graham County EC, Mohave EC, Navopache EC, Sulphur Springs Valley EC, Trico EC and Arizona Electric Power Cooperative, Inc.) request a proposal for a modular designed system to supply a 10 kW to 30 kW Photovoltaic (PV) system. System size is relative to the space available for the PV panels on each site. System may consist of multiple freestanding modules interconnected to meet the 10 to 30 kW size requirement. Modules to be used as freestanding carports or freestanding covers for walkways to provide shade. These systems are to be used at public buildings to increase the awareness of PV systems and operations and systems will be sized based on the available space. Base pricing for 10, 15, 20, 25, and 30 kW systems are requested (systems may be rounded to the nearest 5kW increment). The interconnection cost from the PV system to nearest distribution panel will be on a case by case basis due to the variation in sites. This RFP is not all-inclusive, and contractor may include other specifications or requirements they feel are necessary for a successful venture.

This RFP is released on August 1, 2005 and response must be in a written proposal by October 1, 2005. For questions or clarification of details please contact Albert Gomez (520-515-3473) or David Bane (520-515-3472).

SCOPE OF WORK - THE CONTRACTOR WILL BE RESPONSIBLE FOR THE FOLLOWING:

- Structural design of the supporting PV structures (carport and walkway)
- One line circuit diagrams for approval by local Cooperative's engineering department
- Complete wiring diagrams (to be included in owner manual)
- Isolation transformers as needed to meet the NEC

- Purchase and installation of all components
- Systems test period of 4-6 weeks prior to transfer of title of equipment to site owner
- Any required Permits (Cooperative will reimburse actual cost of permits)
- Meter socket on the A/C output of the inverter(s)
- Interconnection with Customers electric service
- Fencing around inverters and other equipment as required for security and public safety
- Project to meet or exceed SunWatts standards
- Basic training for site owner / site operator
- Operators Manual

THE COOPERATIVE WILL PROVIDE THE FOLLOWING:

- Meter to measure AC output from PV system to owners electric panel
- Written permission from site owner to build the PV Module
- Act as the point of contact with the installation Contractor on behalf of the site owner

STRUCTURAL DESIGN REQUIREMENTS:

The basic structure is to support the PV cells but must be able to work as a carport with all the required clearances. Support should be in a cantilever style to allow easy parking, spacing on vertical supports should be in multiples of 10 feet to be able to match typical parking lot spacing, height should allow the parking of full size passenger vans, and structure does not have to be water proof (providing shade to vehicles is secondary to the production of energy). Ideal structure would have the ability to support PV panels that would be effective if the long side of the structure is in a North-South as well as East-West orientation.

PV DESIGN REQUIREMENTS:

- PV panels shall have warranty for a minim mum of 15 years to cover rated output (output degradation not to exceed 20% over life of panel)
- All system components will be UL certified
- System will include isolation transformers per section 250-30 of the NEC
- Polyphase inverter with voltage to match customer's system
- Inverter to match capacity of project
- 15 year manufacturers warranty on Inverter (contractor may use an extended warranty insurance policy to meet 15 year requirement)
- Contractor will warranty repair labor at 100% for first 5 years, 66% of labor for second 5 years, and 33% of labor for remaining 5 years (limited to warranty repairs)
- Interconnection costs from site of PV system to nearest practical distribution panel will be on a case by case basis, (site selection process will keep this as short as possible)

SUNWATTS REQUIREMENTS:

- One-line drawings subject to approval by local Cooperative's engineering department
- Units to operate in parallel with grid

- Includes protection for out of frequency problems
- Low harmonics
- Inverter must disconnect in the event grid power is lost
- Lockable safety switch located between the inverter and meter socket

TRAINING REQUIREMENTS:

The Contractor will provide sufficient time with the site owner to explain how to disconnect the system, locate inverter, identify all junction boxes between the modules, and identify any system warning lights or displays. Contractor will also provide system manual with basic operating instructions and all the associated warranty information and manufacturer contacts listed.

## EXHIBIT D

## MONTHLY DRAWDOWN SCHEDULE OF AMOUNTS TO BE ADVANCED TO THE BORROWER PURSUANT TO THE LOAN AGREEMENT

| DATE ON WHICH PROCEEDS ARE EXPECTED TO BE EXPENDED | AMOUNTS OF PROCEEDS TO BE EXPENDED |
|---|---|
| February 25, 2008 | $280,000 |
| March 3, 2008 | $280,000 |
| March 10, 2008 | $280,000 |
| March 17, 2008 | $280,000 |
| March 24, 2008 | $280,000 |
| March 31, 2008 | $280,000 |
| April 7, 2008 | $280,000 |
| April 14, 2008 | $280,000 |
| April 21, 2008 | $280,000 |

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

To

NATIONAL RURAL UTILITIES
COOPERATIVE FINANCE CORPORATION
Issuer

# LOAN AGREEMENT

Dated as of 12/21, 2007

Clean Renewable Energy Bonds
(Cooperative Renewable Energy Projects) Series 2008A
of National Rural Utilities Cooperative Finance Corporation

CFC LOANAG
AZ014-A-9046-CB001 (JABLONJ)
117606-2

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EXHIBIT C COMPLETION CERTIFICATE OF BORROWER
EXHIBIT D TERMINATION CERTIFICATE OF BORROWER

## LOAN AGREEMENT

**LOAN AGREEMENT** (this "Agreement") dated as of _____, between SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. ("Borrower"), a corporation organized and existing under the laws of the State of Arizona and NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION ("CFC"), a cooperative association organized and existing under the laws of the District of Columbia.

## RECITALS

**WHEREAS,** the Borrower has applied to CFC for a loan for the purposes set forth in Schedule 1 hereto, and CFC is willing to make such a loan to the Borrower on the terms and conditions stated herein; and

**WHEREAS,** the Borrower has agreed to execute a promissory note to evidence an indebtedness in the aggregate principal amount of the CFC Commitment (as hereinafter defined).

**NOW, THEREFORE,** for and in consideration of the premises and the mutual covenants hereinafter contained, the parties hereto agree and bind themselves as follows:

## ARTICLE I

## DEFINITIONS

**Section 1.01** For purposes of this Agreement, the following capitalized terms shall have the following meanings (such definitions to be equally applicable to the singular and the plural form thereof). Capitalized terms that are not defined herein shall have the meanings as set forth in the Mortgage.

**"Accounting Requirements"** shall mean any system of accounts prescribed by a federal regulatory authority having jurisdiction over the Borrower or, in the absence thereof, the requirements of GAAP applicable to businesses similar to that of the Borrower.

**"Advance"** shall mean each advance of funds by CFC to the Borrower pursuant to the terms and conditions of this Agreement, including the Initial Advance and the Primary Advance.

**"Authorized Officer of the Borrower"** means the Chairman, General Manager or Chief Financial Officer of the Borrower or any other person authorized by the Board of the Borrower so to act or any other person performing a function similar to the function performed by any such officer or authorized person.

**"Average DSC Ratio"** shall mean the average of the Borrower's two highest annual DSC Ratios during the most recent three calendar years.

**"Bond Counsel"** means an attorney at law or a firm of attorneys (designated by CFC and acceptable to the Trustee) of nationally recognized standing in matters pertaining to the tax-exempt nature of interest or tax credits on bonds issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of any state of the United States of America.

**"Business Day"** shall mean any day that both CFC and the depository institution CFC utilizes for funds transfers hereunder are open for business.

**"CFC Commitment"** shall have the meaning as defined in Schedule 1.

**"CFC CREB Rate"** shall mean the interest rate charged by CFC for loans made by CFC from proceeds of the CREBs which rate shall not exceed one hundred and fifty basis points (150/100 of 1%) per annum.

**"Closing Date"** shall mean the date CFC issues the CREBs.

**"Code"** shall mean the Internal Revenue Code of 1986, as supplemented and amended.

**"Completion Certificate"** shall mean the certificate of the Borrower required by Section 5.01.P of this Agreement, substantially in the form of Exhibit C hereto.

**"CREBs"** shall mean the series of Securities issued by CFC to provide financing for the Project.

**"CREB Maturity Date"** shall mean the maturity date of the CREBs, which shall be the December 15th prior to the Maximum CREB Term Anniversary Date.

**"Debt Service Coverage ("DSC") Ratio"** shall mean the ratio determined as follows: for any calendar year add (i) Operating Margins, (ii) Non-Operating Margins--Interest, (iii) Interest Expense, (iv) Depreciation and Amortization Expense, and (v) cash received in respect of generation and transmission and other capital credits, and divide the sum so obtained by the sum of all payments of Principal and Interest Expense required to be made during such calendar year; provided, however, that in the event that any amount of Long-Term Debt has been refinanced during such year, the payments of Principal and Interest Expense required to be made during such year on account of such refinanced amount of Long-Term Debt shall be based (in lieu of actual payments required to be made on such refinanced amount of Long-Term 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 payment of Principal and Interest Expense required to be made during the following year on account of such refinancing debt.

**"Default Rate"** shall mean a rate per annum equal to one hundred and fifty basis points (150/100 of 1%).

**"Depreciation and Amortization Expense"** shall mean an amount constituting the depreciation and amortization of the Borrower computed pursuant to Accounting Requirements.

**"Determination of Tax Credit Ineligibility"** shall mean a determination that a particular series of Securities does not qualify for a tax credit for the owner thereof under Section 54 of the Code, which determination shall be deemed to have been made upon the occurrence of the first to occur of the following:

(a) the date on which CFC determines that there is a significant likelihood that a particular series of Securities may not qualify for a tax credit, if such determination is supported by a written opinion of Bond Counsel to that effect; or

(b) the date on which CFC shall receive notice in writing that the Trustee has been advised by the owner of any Security that a particular series of Securities does not qualify for a tax credit for the owner thereof, based upon a final determination made either by: (A) the Internal Revenue Service in a published or private ruling or technical advice memorandum or (B) any court of competent jurisdiction in the United States of America, as a result of a failure by CFC or any borrower to observe any agreement or representation in the Tax Compliance Agreement or a Loan Agreement or Project Agreement relating to the proceeds of the Securities. Any such determination will not be considered final for this purpose unless the Owner of the Securities involved in the proceeding or action resulting in the determination (i) gives CFC and the Trustee prompt written notice of the commencement thereof and (ii) if CFC agrees to pay all expenses in connection therewith and to indemnify such Owner of the Securities against all liabilities in connection therewith, offers CFC an opportunity to contest the determination, either directly or in the name of the Owner of the Securities, and until conclusion of any review, if sought.

**"Distributions"** shall mean, with respect to the Borrower, any dividend, patronage refund, patronage capital retirement or cash distribution to its members, or consumers (including but not limited to any general cancellation or abatement of charges for electric energy or services furnished by the Borrower). The term "Distribution" shall *not* include (a) a distribution by the Borrower to the estate of a deceased patron, (b) repayment by the Borrower of a membership fee upon termination of a membership, or (c) any rebate to a patron resulting from a cost abatement received by the Borrower, such as a reduction of wholesale power cost previously incurred.

**"Draw Period"** shall have the meaning as described in Schedule 1 hereto.

**"Environmental Laws"** shall mean all laws, rules and regulations promulgated by any Governmental Authority, with which Borrower is required to comply, regarding the use, treatment, discharge, storage, management, handling, manufacture, generation, processing, recycling, distribution, transport, release of or exposure to any Hazardous Material.

**"Equity"** shall mean the aggregate of the Borrower's equities and margins computed pursuant to Accounting Requirements.

**"Event of Default"** shall have the meaning as described in Article VI hereof.

**"Funds Requisition Statement"** shall mean the certificate of the Borrower, in the form set forth as Exhibit A to this Agreement, by which the Borrower will obtain an advance of funds from CFC under the Loan.

**"GAAP"** shall mean generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board.

**"Governmental Authority"** shall mean the government of the United States of America, any other nation or government, any state or other political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

**"Hazardous Material"** shall mean any (a) petroleum or petroleum products, radioactive materials, asbestos-containing materials, polychlorinated biphenyls, lead and radon gas, and (b) any

other substance designated as hazardous or toxic or as a pollutant or contaminant under any Environmental Law.

**"Indenture"** shall mean the Indenture between CFC and U.S. Bank Trust Company National Association, relating to the first issue of Securities, pursuant to which the Securities, including the CREBs are issued, as supplemented and amended.

**"Initial Advance"** shall mean the Advance made by CFC on the Closing Date pursuant to Section 3.02.A hereof to fund a portion of CFC's costs in issuing the CREBs attributable to the CFC Commitment, including, but not limited to, original issue discount, underwriting discount and other costs of issuance, including, without limitation, rating agency costs and legal, underwriting and Trustee expenses.

**"Interest Expense"** shall mean an amount constituting the interest expense with respect to Long-Term Debt of the Borrower computed pursuant to Accounting Requirements. 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 Restricted Rentals paid by the Borrower over 2% of the Borrower's Equity.

**"Lien"** shall mean any statutory or common law consensual or non-consensual mortgage, pledge, security interest, encumbrance, lien, right of set off, claim or charge of any kind, including, without limitation, any conditional sale or other title retention transaction, any lease transaction in the nature thereof and any secured transaction under the Uniform Commercial Code.

**"Loan"** shall mean the loan made by CFC to the Borrower, pursuant to this Agreement and the Note, in an aggregate principal amount not to exceed the CFC Commitment.

**"Loan Capital Term Certificate" or "LCTC"** shall mean a certificate, or book entry form of account, evidencing the Borrower's purchase of equity in CFC.

**"Loan Documents"** shall mean this Agreement, the Note, the Mortgage, the Project Agreement and all other documents or instruments executed, delivered or executed and delivered by the Borrower and evidencing, securing, governing or otherwise pertaining to, the Loan.

**"Long-Term Debt"** shall mean an amount constituting the long-term debt of the Borrower computed pursuant to Accounting Requirements.

**"Maturity Date"** shall mean the Payment Date immediately prior to the CREB Maturity Date permitted for the CREBs under Section 54(e)(2) of the Code as in effect on the Closing Date.

**"Maximum CREB Term Anniversary Date"** shall mean the anniversary of the Closing Date that occurs at the maximum term permitted for the CREBs under Section 54(e)(2) of the Code as in effect on the Closing Date.

**"Mortgage"** shall have the meaning as described in Schedule 1 hereto.

**"Mortgaged Property"** shall have the meaning ascribed to it in the Mortgage.

**"Non-Operating Margins--Interest"** shall mean the amount representing the interest component of non-operating margins of the Borrower computed pursuant to Accounting Requirements.

**"Note"** shall mean the secured promissory note, payable to the order of CFC, executed by the Borrower, dated as of even date herewith, pursuant to this Agreement as identified on Schedule 1 hereto and shall include any substitute note or modification thereto.

**"Obligations"** shall mean any and all liabilities, obligations or indebtedness owing by the Borrower to CFC, of any kind or description, irrespective of whether for the payment of money, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising.

**"Operating Margins"** shall mean the amount of patronage capital and operating margins of the Borrower computed pursuant to Accounting Requirements.

**"Payment Date"** shall mean the first (1st) day of each of March, June and September and December.

**"Payment Notice"** shall mean a notice furnished by CFC to the Borrower that indicates the amount of each payment of interest or interest and principal and the total amount of each payment due.

**"Permitted Encumbrances"** shall have the meaning ascribed to it in the Mortgage.

**"Person"** shall mean natural persons, cooperatives, corporations, limited liability companies, limited partnerships, general partnerships, limited liability partnerships, joint ventures, associations, companies, trusts or other organizations, irrespective of whether they are legal entities, and Governmental Authorities.

**"Primary Advance"** shall mean the Advance made by CFC to the Borrower pursuant to Section 3.02.B hereof two Business Days after the Closing Date to reimburse Borrower for costs of the Project.

**"Principal"** shall mean the amount of principal billed on account of Long-Term Debt of the Borrower computed pursuant to Accounting Requirements.

**"Project"** shall mean the project being financed pursuant to the Loan, as further described in Schedule 1.

**"Project Account"** means an account created pursuant to the Indenture within the Project Fund related to the CREBs.

**"Project Agreement"** shall mean the Project Agreement, dated as of even date herewith, executed by the Borrower with respect to the Project and the CREBs.

**"Project Fund"** means the Project Fund created and identified as such in the Indenture.

**"Restricted Rentals"** shall mean all rentals required to be paid under finance leases and charged to income, exclusive of any amounts paid under any such lease (whether or not designated therein as rental or additional rental) for maintenance or repairs, insurance, taxes, assessments, water rates or similar charges. For the purpose of this definition the term "finance lease" shall mean any lease having a rental term (including the term for which such lease may be renewed or extended at the option of the lessee) in excess of three (3) years and covering property having an initial cost in excess of $250,000 other than automobiles, trucks, trailers, other vehicles (including without

limitation aircraft and ships), office, garage and warehouse space and office equipment (including without limitation computers).

**"Securities"** shall mean one or more series of clean renewable energy bonds issued by CFC under the Indenture.

**"Subsidiary"** as to any Person, shall mean a corporation, partnership, limited partnership, limited liability company or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise qualified, all references to a "Subsidiary" or to "Subsidiaries" in this Agreement shall refer to a Subsidiary or Subsidiaries of the Borrower.

**"Tax Compliance Agreement"** means a tax compliance certificate and agreement of CFC with respect to a series of Securities, as accepted by the Trustee, as amended.

**"Termination Certificate"** shall mean the certificate of the Borrower required by Section 5.01.Q of this Agreement, substantially in the form of Exhibit D hereto.

**"Total Assets"** shall mean an amount constituting the total assets of the Borrower computed pursuant to Accounting Requirements.

**"Total Utility Plant"** shall mean the amount constituting the total utility plant of the Borrower computed pursuant to Accounting Requirements.

**"Trustee"** shall mean U.S. Bank Trust Company National Association and its successors and assigns.

## ARTICLE II

## REPRESENTATIONS AND WARRANTIES

**Section 2.01** The Borrower represents and warrants to CFC that as of the date of this Agreement:

**A. Good Standing.** The Borrower is duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization, is duly qualified to do business and is in good standing in those states in which it is required to be qualified to conduct its business. The Borrower is a member in good standing of CFC.

**B. Subsidiaries and Ownership.** Schedule 1 hereto sets forth a complete and accurate list of the Subsidiaries of the Borrower showing the percentage of the Borrower's ownership of the outstanding stock, membership interests or partnership interests, as applicable, of each Subsidiary.

**C. Authority; Validity.** The Borrower has the power and authority to enter into this Agreement, the Note, the Project Agreement and the Mortgage; to make the borrowing hereunder; to execute and deliver all documents and instruments required hereunder and to incur and perform the obligations provided for herein, in the Note, in the Project Agreement and in the Mortgage, all of which have been duly authorized by all necessary and proper action; and no consent or approval of

any Person, including, as applicable and without limitation, members of the Borrower, which has not been obtained is required as a condition to the validity or enforceability hereof or thereof.

Each of this Agreement, the Note, the Project Agreement and the Mortgage is, and when fully executed and delivered will be, legal, valid and binding upon the Borrower and enforceable against the Borrower in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity.

**D. No Conflicting Agreements.** The execution and delivery of the Loan Documents and performance by the Borrower of the obligations thereunder, and the transactions contemplated hereby or thereby, will not: (i) violate any provision of law, any order, rule or regulation of any court or other agency of government, any award of any arbitrator, the articles of incorporation or by-laws of the Borrower, or any indenture, contract, agreement, mortgage, deed of trust or other instrument to which the Borrower is a party or by which it or any of its property is bound; or (ii) be in conflict with, result in a breach of or constitute (with due notice and/or lapse of time) a default under, any such award, indenture, contract, agreement, mortgage, deed of trust or other instrument, or result in the creation or imposition of any Lien (other than contemplated hereby) upon any of the property or assets of the Borrower.

The Borrower is not in default in any material respect under any agreement or instrument to which it is a party or by which it is bound and no event or condition exists which constitutes a default, or with the giving of notice or lapse of time, or both, would constitute a default under any such agreement or instrument.

**E. Taxes.** The Borrower, and each of its Subsidiaries, has filed or caused to be filed all federal, state and local tax returns which are required to be filed and has paid or caused to be paid all federal, state and local taxes, assessments, and governmental charges and levies thereon, including interest and penalties to the extent that such taxes, assessments, and governmental charges and levies have become due, except for such taxes, assessments, and governmental charges and levies which the Borrower or any Subsidiary is contesting in good faith by appropriate proceedings for which adequate reserves have been set aside.

**F. Licenses and Permits.** The Borrower has duly obtained and now holds all licenses, permits, certifications, approvals and the like necessary to own and operate its property and business that are required by Governmental Authorities and each remains valid and in full force and effect.

**G. Litigation.** There are no outstanding judgments, suits, claims, actions or proceedings pending or, to the knowledge of the Borrower, threatened against or affecting the Borrower, its Subsidiaries or any of their respective properties which, if adversely determined, either individually or collectively, would have a material adverse effect upon the business, operations, prospects, assets, liabilities or financial condition of the Borrower or its Subsidiaries. The Borrower and its Subsidiaries are not, to the Borrower's knowledge, in default or violation with respect to any judgment, order, writ, injunction, decree, rule or regulation of any Governmental Authority which would have a material adverse effect upon the business, operations, prospects, assets, liabilities or financial condition of the Borrower or its Subsidiaries.

**H. Financial Statements.** The balance sheet of the Borrower as at the date identified in Schedule 1 hereto, the statement of operations of the Borrower for the period ending on said date, and the interim financial statements of the Borrower, all heretofore furnished to CFC, are complete and correct. Said balance sheet fairly presents the financial condition of the Borrower as at said date

and said statement of operations fairly reflects its operations for the period ending on said date. The Borrower has no contingent obligations or extraordinary forward or long-term commitments except as specifically stated in said balance sheet or herein. There has been no material adverse change in the financial condition or operations of the Borrower from that set forth in said financial statements except changes disclosed in writing to CFC prior to the date hereof.

I. **Borrower's Legal Status.** Schedule 1 hereto accurately sets forth: (i) the Borrower's exact legal name, (ii) the Borrower's organizational type and jurisdiction of organization, (iii) the Borrower's organizational identification number or accurate statement that the Borrower has none, and (iv) the Borrower's place of business or, if more than one, its chief executive office as well as the Borrower's mailing address if different.

J. **Required Approvals.** Other than the CREBs allocation received from the Internal Revenue Service, no license, consent or approval of any Governmental Authority is required to enable the Borrower to enter into this Agreement, the Project Agreement, the Note and the Mortgage, or to perform any of its Obligations provided for in such documents, including without limitation (and if applicable), that of any state public utilities commission, any state public service commission, and the Federal Energy Regulatory Commission, except as disclosed in Schedule 1 hereto, all of which the Borrower has obtained prior to the date hereof.

K. **Compliance With Laws.** The Borrower and each Subsidiary is in compliance, in all material respects, with all applicable requirements of law and all applicable rules and regulations of each Governmental Authority.

L. **Disclosure.** To the Borrower's knowledge, information and belief, neither this Agreement nor any document, certificate or financial statement furnished to CFC by or on behalf of the Borrower in connection herewith (all such documents, certificates and financial statements, taken as a whole) contains any untrue statement of a material fact or omits to state any material fact necessary in order to make the statements contained herein and therein not misleading.

M. **No Other Liens.** As to property which is presently included in the description of Mortgaged Property, the Borrower has not, without the prior written approval of CFC, executed or authenticated any security agreement or mortgage, or filed or authorized any financing statement to be filed with respect to assets owned by it, other than security agreements, mortgages and financing statements in favor of CFC, except as disclosed in writing to CFC prior to the date hereof or relating to Permitted Encumbrances.

N. **Environmental Matters.** Except as to matters which individually or in the aggregate would not have a material adverse effect upon the business or financial condition of the Borrower or its Subsidiaries, (i) Borrower is in compliance with all Environmental Laws (including, but not limited to, having any required permits and licenses), (ii) there have been no releases (other than releases remediated in compliance with Environmental Laws) from any underground or aboveground storage tanks (or piping associated therewith) that are or were present at the Mortgaged Property, (iii) Borrower has not received written notice or claim of any violation of any Environmental Law, (iv) there is no pending investigation of Borrower in regard to any Environmental Law, and (v) to the best of Borrower's knowledge, there has not been any release or contamination (other than releases or contamination remediated in compliance with Environmental Laws) resulting from the presence of Hazardous Materials on property owned, leased or operated by the Borrower.

O. **Project Agreement.** As set forth in the Project Agreement, the Project constitutes "a qualified project" as defined in Section 54(d)(2)(A) of the Code. As set forth in the Project Agreement,

the Borrower constitutes currently, and will remain through the period that the CREBs remain outstanding, "a Qualified Borrower", meaning a (i) mutual or cooperative electric company described in Sections 501(c)(12) or 1381(a)(2)(C) of the Code, or (ii) a Governmental Body, which is defined as any state, territory possession of the U.S., the District of Columbia, Indian tribal government, and any political subdivision thereof. The statements, information and descriptions contained in the Project Agreement are true, correct and complete, and do not contain any untrue statement or misleading statement of a material fact, and do not omit to state a material fact required to be stated therein or necessary to make the statements, information and descriptions contained therein, in the light of the circumstances under which they were made, not misleading, and the estimates and the assumptions contained in the Project Agreement are reasonable and based on the best information available to the Borrower.

## ARTICLE III

## LOAN

**Section 3.01 Definitions.** For purposes of this Article 3, the following capitalized terms shall have the following meanings:

**"Borrower's Annual Bond Repayment Amount"** shall mean the amount determined by dividing the CFC Commitment by the number of years from the Closing Date to the Maximum CREB Term Anniversary Date, which amount shall be recalculated on the date CFC rescinds any excess moneys pursuant to Section 3.05 or 3.06 hereof.

**"Quarterly Bond Deposit Amount"** shall mean for each Payment Date, the amount determined by subtracting from the Quarterly Bond Repayment Amount the principal amount payable by the Borrower pursuant to Section 3.03.A(ii)(b)(1) on such Payment Date.

**"Quarterly Bond Repayment Amount"** shall mean one-fourth (¼) of the Borrower's Annual Bond Repayment Amount.

**Section 3.02 Advances.** The obligation of the Borrower to repay the Advances shall be evidenced by the Note. The aggregate amount of all Advances made hereunder shall not exceed the CFC Commitment. At the end of the Draw Period, CFC shall have no further obligation to make Advances.

**A. Initial Advance.** Borrower hereby agrees that on the Closing Date, CFC shall automatically, and without action by Borrower, make the Initial Advance. On the Closing Date, CFC shall notify Borrower of the final amount of the Initial Advance and the amount of the CFC Commitment remaining for Borrower to subsequently Advance.

**B. Subsequent Advances.**

(i) The Borrower may submit a request for the Primary Advance to CFC in writing (which may be submitted by facsimile) no later than 12:00 noon local time at CFC's offices in Herndon, Virginia seven Business Days prior to the Closing Date. The Primary Advance may be requested in any amount up to the CFC Commitment. CFC shall make the Primary Advance two Business Days after the Closing Date in the lesser of (i) the aggregate amount of such requested Primary Advance, and (ii) the amount of the CFC Commitment less the amount of the Initial Advance.

(ii) Except as set forth in 3.02.A and 3.02.B(i) hereof, the Borrower shall submit its request for an Advance to CFC in writing (which may be submitted by facsimile) no later than 12:00 noon local time at CFC's offices in Herndon, Virginia at least two (2) Business Days prior to the last Business Day of any calendar month. Borrower may make multiple requests for Advances during any calendar month in any amount so long as the aggregate amount of all Advances requested in such month is in an amount not less than $100,000.00; *provided, however* that at such time as there remains less than $100,000.00 available for Advance hereunder, Borrower may request the entirety of such remaining amount. CFC shall make a single Advance to Borrower on the first Business Day of the calendar month following Borrower's request(s) for an Advance. Such Advance shall be in the aggregate amount of all Advances requested by Borrower in the prior month, *provided however* that at such time as there remains less than $100,000.00 available for Advance hereunder and Borrower requests the entirety of such remaining amount, CFC shall Advance the entirety of such remaining amount.

**Section 3.03 Interest Rate and Payment.** The Note shall be payable and bear interest as follows:

**A. Payments; Maturity; Amortization.**

(i) The Note shall be due and payable on the Maturity Date.

(ii) On each Payment Date, the Borrower shall promptly pay the following:

(a) accrued interest on the principal amount of the Loan outstanding less the amount of the Initial Advance; and

(b) the Quarterly Bond Repayment Amount, consisting of:

(1) the principal amount due on any outstanding Advances, determined on the basis of a quarterly amortization schedule from the date of each Advance; and

(2) the Quarterly Bond Deposit Amount.

(iii) If not sooner paid, any amount due on account of the unpaid principal, interest accrued thereon and fees, if any, shall be due and payable on the Maturity Date.

(iv) Each Advance shall amortize on a level principal payment basis from the date thereof through the Maturity Date.

(v) CFC will furnish to the Borrower a Payment Notice at least ten (10) days before each Payment Date, provided, however, that CFC's failure to send a Payment Notice shall not constitute a waiver by CFC or be deemed to relieve the Borrower of its obligation to make payments as and when due as provided for herein.

(vi) No provision of this Agreement or of any Note shall require the payment, or permit the collection, of interest in excess of the highest rate permitted by applicable law.

Borrower agrees that the records of, and all computations by, CFC (in whatever media they are recorded or maintained) as to the amount of principal, interest, fees and Quarterly Bond Deposit Amount due on the Loan shall be conclusive in the absence of manifest error.

**B. Application of Payments.** Each payment shall be applied to the Loan, first to any fees, costs, expenses or charges other than interest or principal, second to interest accrued, third to the Quarterly Bond Deposit Amount and the balance to principal.

**C. Application of Bond Repayment Deposit.** At such time as the aggregate amount billed by CFC in any calendar year on account of amortized principal under this Agreement exceeds the Borrower's Annual Bond Repayment Amount for such year, CFC shall apply a portion of the Borrower's prior payments of the Quarterly Bond Deposit Amount in the amount of such overage to principal then due. Until such time, Borrower's payments of the Quarterly Bond Deposit Amount shall not reduce the amount of principal outstanding and subject to amortization. Any amount paid by the Borrower under this Agreement on account of the Quarterly Bond Deposit Amount in excess of the principal amount of the fully advanced Loan shall be refunded to the Borrower on the Maturity Date.

**D. Interest Rate Computation.** Each Advance except the Initial Advance shall bear interest at the CFC CREB Rate which shall apply until the Maturity Date. The Initial Advance shall not bear interest. Interest on Advances shall be computed on the basis of a 30-day month and 360-day year.

**Section 3.04. Extraordinary Obligation to Prepay**. Upon a Determination of Tax Credit Ineligibility that subjects the CREBs to an extraordinary mandatory redemption due to a failure of the Borrower to observe any agreement or representation in this Loan Agreement (as more particularly described in paragraph (b) of the defined term "Determination of Tax Credit Ineligibility"), the Borrower shall prepay the Loan, or such part thereof as determined by CFC, at such times and in such amounts as determined by CFC within sixty (60) days of such determination together with a prepayment premium prescribed by CFC pursuant to its policies of general application in effect from time to time.

**Section 3.05. Rescission of Excess Moneys; Fee.** If the Borrower has not drawn down the full amount of the CFC Commitment at (i) the time of filing the Completion Certificate under Section 5.01P. hereof, (ii) the time of filing the Termination Certificate under 5.01Q. hereof, (iii) a Determination of Tax Credit Ineligibility or (iv) the end of the Draw Period, a corresponding rescission of the amount of principal available to be drawn on the Note as calculated by CFC shall automatically be made without further action by the Borrower. CFC shall release the Borrower from its obligations hereunder as to such rescinded portion, provided the Borrower complies with such terms and conditions as CFC may impose for such release including, without limitation, payment of any rescission fee that CFC may from time to time prescribe, pursuant to its policies of general application.

**Section 3.06. Cancellation of Excess Moneys.** If the Borrower has not drawn down the full amount of the CFC Commitment at the time CFC determines that it will cease making Advances hereunder pursuant to Section 7.01 hereof, a corresponding cancellation of the amount of principal available to be drawn on the Note as calculated by CFC shall automatically be made without action by the Borrower.

**Section 3.07. Default Rate.** If Borrower defaults on its obligation to make a payment due hereunder by the applicable Payment Date, and such default continues for thirty days thereafter, then

beginning on the thirty-first day after the Payment Date and for so long as such default continues, Advances shall bear interest at the Default Rate.

**Section 3.08. Patronage Capital; Interest Rate Discounts.** No patronage capital shall be earned, and no interest rate discounts shall apply, to the Loan.

**Section 3.09. Optional Prepayment.** Except for prepayments made pursuant to Section 3.04 hereof, no prepayment of any Advance, in whole or in part, may be made by the Borrower.

## ARTICLE IV

## CONDITIONS OF LENDING

**Section 4.01** The obligation of CFC to make any Advance hereunder is subject to satisfaction of the following conditions in form and substance satisfactory to CFC:

**A. Legal Matters.** All legal matters incident to the consummation of the transactions hereby contemplated shall be satisfactory to counsel for CFC.

**B. Documents.** CFC shall have been furnished with (i) the executed Loan Documents, (ii) certified copies of all such organizational documents and proceedings of the Borrower authorizing the transactions hereby contemplated as CFC shall require, (iii) an opinion of counsel for the Borrower addressing such legal matters as CFC shall reasonably require, and (iv) all other such documents as CFC may reasonably request.

**C. Government Approvals.** The Borrower shall have furnished to CFC true and correct copies of all certificates, authorizations, consents, permits and licenses from Governmental Authorities necessary for the execution or delivery of the Loan Documents or performance by the Borrower of the obligations thereunder.

**D. Representations and Warranties.** The representations and warranties contained in Article II shall be true on the date of the making of each Advance hereunder with the same effect as though such representations and warranties had been made on such date; no Event of Default and no event which, with the lapse of time or the notice and lapse of time would become such an Event of Default, shall have occurred and be continuing or will have occurred after giving effect to each Advance on the books of the Borrower; there shall have occurred no material adverse change in the business or condition, financial or otherwise, of the Borrower; and nothing shall have occurred which in the opinion of CFC materially and adversely affects the Borrower's ability to perform its obligations hereunder.

**E. Mortgage Recordation.** The Mortgage (and any amendments, supplements or restatements as CFC may require from time to time) shall have been duly filed, recorded or indexed in all jurisdictions necessary (and in any other jurisdiction that CFC shall have reasonably requested) to provide CFC a lien, subject to Permitted Encumbrances, on all of the Borrower's real property, all in accordance with applicable law, and the Borrower shall have paid all applicable taxes, recording and filing fees and caused satisfactory evidence thereof to be furnished to CFC.

**F. UCC Filings.** Uniform Commercial Code financing statements (and any continuation statements and other amendments thereto that CFC shall require from time to time) shall have been duly filed, recorded or indexed in all jurisdictions necessary (and in any other jurisdiction that CFC

shall have reasonably requested) to provide CFC a perfected security interest, subject to Permitted Encumbrances, in the Mortgaged Property which may be perfected by the filing of a financing statement, all in accordance with applicable law, and the Borrower shall have paid all applicable taxes, recording and filing fees and caused satisfactory evidence thereof to be furnished to CFC.

**G. Requisitions.** The Borrower will requisition each Advance by submitting its written requisition to CFC in the form attached as Exhibit A hereto. Requisitions for Advances shall be made only for the purposes set forth in Schedule 1 hereto.

**H. Other Information.** The Borrower shall have furnished such other information as CFC may reasonably require, including but not limited to (i) information regarding the specific purpose for an Advance and the use thereof, (ii) feasibility studies, cash flow projections, financial analyses and pro forma financial statements sufficient to demonstrate to CFC's reasonable satisfaction that after giving effect to the Advance requested, the Borrower shall continue to achieve the DSC ratio set forth in Section 5.01.A herein, to meet all of its debt service obligations, and otherwise to perform and to comply with all other covenants and conditions set forth in this Agreement, and (iii) any other information as CFC may reasonably request. CFC's obligation to make any Advance hereunder is conditioned upon prior receipt and approval of the Borrower's written requisition and other information and documentation, if any, as CFC may have requested pursuant to this paragraph.

**I. Issuance of Bonds.** CFC shall have issued CREBs in an amount not less than the CFC Commitment.

**J. CREB Allocation.** CFC shall have received an allocation in the amount of the CFC Commitment from the U.S. Department of Treasury for the Borrower's Project under its Securities program.

**K. Tax Credit Ineligibility.** There shall have occurred no Determination of Tax Credit Ineligibility with regard to the Borrower or the Project.

**L. Bring Down Certificate.** Two (2) Business Days prior to the Closing Date, the Borrower shall furnish CFC with a certificate of an Authorized Officer of the Borrower in the form of Exhibit B hereto, certifying that all of the representations and warranties set forth in Article II hereof are true on the Closing Date.

## ARTICLE V

## COVENANTS

**Section 5.01 Affirmative Covenants.** The Borrower covenants and agrees with CFC that until payment in full of the Note and performance of all obligations of the Borrower hereunder:

**A. Financial Ratios; Design of Rates.** The Borrower shall achieve an Average DSC Ratio of not less than 1.35. The Borrower shall not decrease its rates for electric service if it has failed to achieve a DSC Ratio of 1.35 for the calendar year prior to such reduction subject only to an order from a Governmental Authority properly exercising jurisdiction over the Borrower.

**B. Loan Proceeds.** The Borrower shall use the proceeds of this Loan solely for the purposes identified on Schedule 1 hereto.

**C. Notice.** The Borrower shall promptly notify CFC in writing of:

(i) any material adverse change in the business, operations, prospects, assets, liabilities or financial condition of the Borrower;

(ii) the institution or threat of any litigation or administrative proceeding of any nature involving the Borrower which could materially affect the business, operations, prospects, assets, liabilities or financial condition of the Borrower;

(iii) the occurrence of an Event of Default hereunder, or any event that, with the giving of notice or lapse of time, or both, would constitute an Event of Default.

**D. Default Notices.** Upon receipt of any notices with respect to a default by the Borrower under the terms of any evidence of any indebtedness with parties other than CFC or of any loan agreement, mortgage or other agreement relating thereto, the Borrower shall deliver copies of such notice to CFC.

**E. Annual Certificates.**

(i) Within one hundred twenty (120) days after the close of each calendar year, commencing with the year in which the initial Advance hereunder shall have been made, the Borrower will deliver to CFC a written statement, in form and substance satisfactory to CFC, signed by the Borrower's General Manager or Chief Executive Officer, stating that during such year, and that to the best of said person's knowledge, the Borrower has fulfilled all of its obligations under this Agreement, the Project Agreement, the Note, and the Mortgage throughout such year or, if there has been a default in the fulfillment of any such obligations, specifying each such default known to said person and the nature and status thereof.

(ii) The Borrower shall deliver to CFC within one hundred twenty (120) days of CFC's written request, which shall be no more frequently than once every year, a certification, in form and substance satisfactory to CFC, regarding the condition of the Mortgaged Property prepared by a professional engineer satisfactory to CFC. The Borrower shall also deliver to CFC such other information as CFC may reasonably request from time to time.

**F. Loan Capital Term Certificate Purchase.** The Borrower will purchase LCTCs, if required, in an amount calculated pursuant to CFC's policies of general application and shall pay for such LCTCs as required thereby. CFC's policies with respect to such LCTCs are set forth in Schedule 1.

**G. Financial Books; Financial Reports; Right of Inspection.** The Borrower will at all times keep, and safely preserve, proper books, records and accounts in which full and true entries will be made of all of the dealings, business and affairs of the Borrower, in accordance with Accounting Requirements. When requested by CFC, the Borrower will prepare and furnish CFC from time to time, periodic financial and statistical reports on its condition and operations. All of such reports shall be in such form and include such information as may be specified by CFC. Within one hundred twenty (120) days of the end of each calendar year during the term hereof, the Borrower shall furnish to CFC a full and complete report of its financial condition and statement of its operations as of the end of such calendar year, in form and substance satisfactory to CFC. In addition, within one hundred twenty (120) days of the end of each the Borrower's fiscal years during the term hereof, the Borrower shall furnish to CFC a full and complete consolidated and consolidating report of its financial condition and statement of its operations as of the end of such fiscal year,

audited and certified by independent certified public accountants nationally recognized or otherwise satisfactory to CFC and accompanied by a report of such audit in form and substance satisfactory to CFC, including without limitation a consolidated and consolidating balance sheet and the related consolidated and consolidating statements of income and cash flow. CFC, through its representatives, shall at all times during reasonable business hours and upon prior notice have access to, and the right to inspect and make copies of, any or all books, records and accounts, and any or all invoices, contracts, leases, payrolls, canceled checks, statements and other documents and papers of every kind belonging to or in the possession of the Borrower or in anyway pertaining to its property or business.

**H. Notice of Additional Secured Debt.** The Borrower will notify CFC promptly in writing if it incurs any additional secured indebtedness other than indebtedness to CFC or indebtedness otherwise provided for in the Mortgage.

**I. Funds Requisition.** The Borrower agrees (i) that CFC may rely conclusively upon the written instructions submitted to CFC in the Borrower's written request for an Advance hereunder, (ii) that such instructions shall constitute a covenant under this Agreement to repay the Advance in accordance with such instructions, the applicable Note, the Mortgage, the Project Agreement and this Agreement, and (iii) to request Advances only for the purposes set forth in Schedule 1 hereto.

**J. Compliance With Laws.** The Borrower and each Subsidiary shall remain in compliance, in all material respects, with all applicable requirements of law and applicable rules and regulations of each Governmental Authority.

**K. Taxes.** The Borrower shall pay, or cause to be paid all taxes, assessments or governmental charges lawfully levied or imposed on or against it and its properties prior to the time they become delinquent, except for any taxes, assessments or charges that are being contested in good faith and with respect to which adequate reserves as determined in good faith by the Borrower have been established and are being maintained.

**L. Further Assurances.** The Borrower shall execute any and all further documents, financing statements, agreements and instruments, and take all such further actions (including the filing and recording of financing statements, fixture filings, mortgages, deeds of trust and other documents), which may be required under any applicable law, or which CFC may reasonably request, to effectuate the transactions contemplated by the Loan Documents or to grant, preserve, protect or perfect the Liens created or intended to be created thereby. The Borrower also agrees to provide to CFC, from time to time upon request, evidence reasonably satisfactory to CFC as to the perfection and priority of the Liens created or intended to be created by the Loan Documents.

**M. Environmental Covenants.** Borrower shall:

(i) at its own cost, comply in all material respects with all applicable Environmental Laws, including, but not limited to, any required remediation; and

(ii) if it receives any written communication alleging Borrower's violation of any Environmental Law, provide CFC with a copy thereof within ten (10) Business Days after receipt, and promptly take appropriate action to remedy, cure, defend, or otherwise affirmatively respond to the matter.

**N. Limitations on Loans, Investments and Other Obligations.** The aggregate amount of all purchases, investments, loans, guarantees, commitments and other obligations described in

Section 5.02.D(i) of this Agreement shall at all times be less than fifteen percent (15%) of Total Utility Plant or fifty percent (50%) of Equity, whichever is greater.

**O. Tax Status of the CREBs.** The Borrower shall utilize the Project or cause it to be utilized as provided in the Project Agreement until the CREB Maturity Date. No use will be made of the proceeds of the CREBs other than as set forth herein and in the Project Agreement and no changes will be made in the Project or in the operation or beneficial use thereof (including, without limiting the generality of the foregoing, the use of the Project by the Borrower or any related person) without an opinion of Bond Counsel that such a use or change will not adversely affect the eligibility of the CREBs to qualify for a tax credit for the owner thereof, for federal income tax purposes. The Borrower agrees and warrants that it will not take or authorize or permit any action to be taken and has not taken or authorized or permitted any action to be taken and will not fail to take any action to comply with the Project Agreement which adversely affects the eligibility of the CREBs to qualify for a tax credit for the owner thereof, for federal income tax purposes. This agreement and warranty shall survive the termination of this Agreement.

**P. Completion Certificate.** The Borrower shall submit to CFC within 30 days after the completion of the Project, a Completion Certificate signed by an Authorized Officer of the Borrower.

**Q. Termination Certificate.** If the Borrower determines that the Project will not be completed as described in Section 5.01.P above, then the Borrower shall submit to CFC a Termination Certificate, within 30 days of a determination that:

(i) no further acquisition, construction or installation will occur with respect to the Project; and

(ii) the Borrower does not intend to make any further Advances.

**R. Other Information.** The Borrower shall furnish such other information as CFC may reasonably require relating to the Project.

**Section 5.02 Negative Covenants.** The Borrower covenants and agrees with CFC that until payment in full of the Note and performance of all obligations of the Borrower hereunder, the Borrower will not, directly or indirectly, without CFC's prior written consent:

**A. Limitations on Mergers.** Consolidate with, merge, or sell all or substantially all of its business or assets, or enter into an agreement for such consolidation, merger or sale, to another entity or person unless such action is either approved, as is evidenced by the prior written consent of CFC, or the purchaser, successor or resulting corporation is or becomes a member in good standing of CFC and assumes the due and punctual payment of the Note and the due and punctual performance of the covenants contained in the Mortgage and this Agreement.

**B. Limitations on Sale, Lease or Transfer of Capital Assets; Application of Proceeds.** Sell, lease or transfer (or enter into an agreement to sell, lease or transfer) any capital asset, except in accordance with this Section 5.02.B. If no Event of Default (and no event which with notice or lapse of time and notice would become an Event of Default) shall have occurred and be continuing, the Borrower may, without the prior written consent of CFC, sell, lease or transfer (or enter into an agreement to sell, lease or transfer) any capital asset in exchange for fair market value consideration paid to the Borrower if the value of such capital asset is less than five percent (5%) of Total Utility Plant and the aggregate value of capital assets sold, leased or transferred in any 12-month period is less than ten percent (10%) of Total Utility Plant.

**C. Limitation on Dividends, Patronage Refunds and Other Distributions.**

(i) Make Distributions in any calendar year if, after giving effect to the Distribution, the total Equity of the Borrower will be less than twenty percent (20%) of its Total Assets.

(ii) If, after giving effect to the Distribution, the total Equity of the Borrower will be less than twenty percent (20%) of its Total Assets, then the Borrower may nevertheless make Distributions of up to thirty percent (30%) of its total margins for the preceding calendar year.

(iii) Notwithstanding anything to the contrary in subparagraphs (i) and (ii) above, the Borrower shall not make any Distribution without the prior written consent of CFC if an Event of Default under this Agreement has occurred and is continuing.

**D. Limitations on Loans, Investments and Other Obligations.**

(i) (a) Purchase, or make any commitment to purchase, any stock, bonds, notes, debentures, or other securities or obligations of or beneficial interests in, (b) make, or enter into a commitment to make, any other investment, monetary or otherwise, in, (c) make, or enter into a commitment to make, any loan to, or (d) guarantee, assume, or otherwise become liable for, or enter into a commitment to guarantee, assume, or otherwise become liable for, any obligation of any Person if, after giving effect to such purchase, investment, loan, guarantee or commitment, the aggregate amount thereof would exceed the greater of fifteen percent (15%) of Total Utility Plant or fifty percent (50%) of Equity.

(ii) The following shall not be included in the limitation of purchases, investments, loans and guarantees in (i) above: (a) bonds, notes, debentures, stock, or other securities or obligations issued by or guaranteed by the United States or any agency or instrumentality thereof; (b) bonds, notes, debentures, stock, commercial paper, subordinated capital certificates, or any other security or obligation issued by CFC or by institutions whose senior unsecured debt obligations are rated by at least two nationally recognized rating organizations in either of their two highest categories; (c) investments incidental to loans made by CFC; (d) any deposit that is fully insured by the United States; (e) loans and grants made by any Governmental Authority to the Borrower under any rural economic development program, but only to the extent that such loans and grants are non-recourse to the Borrower; and (f) unretired patronage capital allocated to the Borrower by CFC, a cooperative from which the Borrower purchases electric power, or a statewide cooperative association of which Borrower is a member.

(iii) In no event may the Borrower take any action pursuant to subsection (i) if an Event of Default under this Agreement has occurred and is continuing,

**E. Organizational Change.** Change its type of organization or other legal structure, except as permitted by Section 5.02.A. hereof, in which case the Borrower shall provide at least 30 days prior written notice to CFC together with all documentation reflecting such change as CFC may reasonably require.

**F. Notice of Change in Borrower Information.** Change its (i) state of incorporation, (ii) legal name, (iii) mailing address, or (iv) organizational identification number, if it has one, unless the Borrower provides written notice to CFC at least thirty (30) days prior to the effective date of any such change together with all documentation reflecting any such change as CFC may reasonably require.

## ARTICLE VI

## EVENTS OF DEFAULT

**Section 6.01** The following shall be "Events of Default" under this Agreement:

**A. Representations and Warranties.** Any representation or warranty made by the Borrower herein, or in any of the other Loan Documents, or in any certificate or financial statement furnished to CFC hereunder or under any of the other Loan Documents shall prove to be false or misleading in any material respect.

**B. Payment.** The Borrower shall fail to pay (whether upon stated maturity, by acceleration, or otherwise) any principal, interest, premium (if any) or other amount payable under the Note and the Loan Documents within five (5) Business Days after the due date thereof.

**C. Other Covenants.**

**(i) No Grace Period.** Failure of the Borrower to observe or perform any covenant or agreement contained in the Project Agreement or in Sections 5.01.A, 5.01.B, 5.01.D, 5.01.E, 5.01.G, 5.01.I, 5.01.N, 5.01.O and 5.02 of this Agreement.

**(ii) Thirty Day Grace Period.** Failure of the Borrower to observe or perform any other covenant or agreement contained in this Agreement or any of the other Loan Documents, which shall remain unremedied for thirty (30) calendar days after written notice thereof shall have been given to the Borrower by CFC.

**D. Legal Existence, Permits and Licenses.** The Borrower shall forfeit or otherwise be deprived of (i) its authority to conduct business in the jurisdiction in which it is organized or in any other jurisdiction where such authority is required in order for the Borrower to conduct its business in such jurisdiction or (ii) permits, easements, consents or licenses required to carry on any material portion of its business.

**E. Other CFC Obligations.** The Borrower shall be in breach or default of any Obligation, which breach or default continues uncured beyond the expiration of any applicable grace period.

**F. Other Obligations.** The Borrower shall (i) fail to make any payment of any principal, premium or any other amount due or interest on any indebtedness with parties other than CFC which shall remain unpaid beyond the expiration of any applicable grace period, or (ii) be in breach or default with respect to any other term of any evidence of any other indebtedness with parties other than CFC or of any loan agreement, mortgage or other agreement relating thereto which breach or default continues uncured beyond the expiration of any applicable grace period, if the effect of such failure, default or breach is to cause the holder or holders of that indebtedness to cause that indebtedness to become or be declared due prior to its stated maturity (upon the giving or receiving of notice, lapse of time, both or otherwise).

**G. Involuntary Bankruptcy.** An involuntary case or other proceeding shall be commenced against the Borrower seeking liquidation, reorganization or other relief with respect to it or its debts under bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property and such involuntary case or other proceeding shall continue without dismissal or

stay for a period of sixty (60) days; or an order for relief shall be entered against the Borrower under the federal bankruptcy laws or applicable state law as now or hereafter in effect.

**H. Insolvency.** The Borrower shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall admit in writing its inability to, or be generally unable to, pay its debts as they become due, or shall take any action to authorize any of the foregoing.

**I. Dissolution or Liquidation.** Other than as provided in subsection H. above, the dissolution or liquidation of the Borrower, or failure by the Borrower promptly to forestall or remove any execution, garnishment or attachment of such consequence as will impair its ability to continue its business or fulfill its obligations and such execution, garnishment or attachment shall not be vacated within sixty (60) days. The term "dissolution or liquidation of the Borrower", as used in this subsection, shall not be construed to include the cessation of the corporate existence of the Borrower resulting either from a merger or consolidation of the Borrower into or with another corporation following a transfer of all or substantially all its assets as an entirety, under the conditions set forth in Section 5.02.A.

**J. Material Adverse Change.** Any material adverse change in the business or condition, financial or otherwise, of the Borrower.

**K. Monetary Judgment.** The Borrower shall suffer any money judgment not covered by insurance, writ or warrant of attachment or similar process involving an amount in excess of $100,000 and shall not discharge, vacate, bond or stay the same within a period of sixty (60) days.

**L. Nonmonetary Judgment.** One or more nonmonetary judgments or orders (including, without limitation, injunctions, writs or warrants of attachment, garnishment, execution, distraint, replevin or similar process) shall be rendered against the Borrower that, either individually or in the aggregate, could reasonably be expected to have a material adverse effect upon the business, operations, prospects, assets, liabilities or financial condition of the Borrower.

## ARTICLE VII

## REMEDIES

**Section 7.01** If any of the Events of Default listed in Section 6 hereof shall occur after the date of this Agreement and shall not have been remedied within the applicable grace periods specified therein, then CFC may:

(i) Cease making Advances hereunder;

(ii) Declare all unpaid principal outstanding on the Note, all accrued and unpaid interest thereon, and all other Obligations to be immediately due and payable and the same shall thereupon become immediately due and payable without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived;

(iii) Exercise rights of setoff or recoupment and apply any and all amounts held, or hereby held, by CFC or owed to the Borrower or for the credit or account of the Borrower against any and all of the Obligations of the Borrower now or hereafter existing hereunder or under the Note, including, but not limited to, patronage capital allocations and retirements, money due to Borrower from equity certificates purchased from CFC, and any membership or other fees that would otherwise be returned to Borrower but excluding any LCTCs purchased by the Borrower pursuant to this Agreement. The rights of CFC under this section are in addition to any other rights and remedies (including other rights of setoff or recoupment) which CFC may have. The Borrower waives all rights of setoff, deduction, recoupment or counterclaim;

(iv) Pursue all rights and remedies available to CFC that are contemplated by the Mortgage and the other Loan Documents in the manner, upon the conditions, and with the effect provided in the Mortgage and the other Loan Documents, including, but not limited to, a suit for specific performance, injunctive relief or damages;

(v) Pursue any other rights and remedies available to CFC at law or in equity.

Nothing herein shall limit the right of CFC to pursue all rights and remedies available to a creditor following the occurrence of an Event of Default. Each right, power and remedy of CFC shall be cumulative and concurrent, and recourse to one or more rights or remedies shall not constitute a waiver of any other right, power or remedy.

## ARTICLE VIII

## MISCELLANEOUS

**Section 8.01 Notices.** All notices, requests and other communications provided for herein including, without limitation, any modifications of, or waivers, requests or consents under, this Agreement shall be given or made in writing (including, without limitation, by telecopy) and delivered to the intended recipient at the "Address for Notices" specified below; or, as to any party, at such other address as shall be designated by such party in a notice to each other party. All such communications shall be deemed to have been duly given (i) when personally delivered including, without limitation, by overnight mail or courier service, (ii) in the case of notice by United States mail, certified or registered, postage prepaid, return receipt requested, upon receipt thereof, or (iii) in the case of notice by telecopy, upon transmission thereof, provided such transmission is promptly confirmed by either of the methods set forth in clauses (i) or (ii) above in each case given or addressed as provided for herein. The Address for Notices of each of the respective parties is as follows:

National Rural Utilities Cooperative Finance Corporation
2201 Cooperative Way
Herndon, Virginia 20171-3025
Attention: Senior Vice President – Member Services
Fax # 703-709-6776

The Borrower:

The address set forth in
Schedule 1 hereto

**Section 8.02 Expenses.** Borrower shall reimburse CFC for any reasonable costs and out-of-pocket expenses paid or incurred by CFC (including, without limitation, reasonable fees and expenses of outside attorneys, paralegals and consultants) for all actions CFC takes, (a) to enforce the payment of any Obligation, to effect collection of any Mortgaged Property, or in preparation for such enforcement or collection, (b) to institute, maintain, preserve, enforce and foreclose on CFC's security interest in or Lien on any of the Mortgaged Property, whether through judicial proceedings or otherwise, (c) to restructure any of the Obligations, (d) to review, approve or grant any consents or waivers hereunder, (e) to prepare, negotiate, execute, deliver, review, amend or modify this Agreement, (f) to prepare, negotiate, execute, deliver, review, amend or modify any other agreements, documents and instruments deemed necessary or appropriate by CFC in connection with any of the foregoing, and (g) to obtain any opinions required to be furnished upon a Determination of Tax Credit Ineligibility and an extraordinary prepayment as set forth in Section 3.04 hereof or a rescission of excess money as set forth in Section 3.05 or a cancellation of excess moneys as set forth in Section 3.06.

The amount of all such expenses identified in this Section 8.02 shall be secured by the Mortgage and shall be payable upon demand, and if not paid, shall accrue interest at the Default Rate.

**Section 8.03 Late Payments.** If payment of any amount due hereunder is not received at CFC's office in Herndon, Virginia, or such other location as CFC may designate to the Borrower within five (5) Business Days after the due date thereof, the Borrower will pay to CFC, in addition to all other amounts due under the terms of the Loan Documents, any late payment charge as may be fixed by CFC from time to time pursuant to its policies of general application as in effect from time to time.

**Section 8.04. Non-Business Day Payments.** If any payment to be made by the Borrower hereunder shall become due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall be included in computing any interest in respect of such payment.

**Section 8.05 Filing Fees.** To the extent permitted by law, the Borrower agrees to pay all expenses of CFC (including the reasonable fees and expenses of its counsel) in connection with the filing, registration, recordation or perfection of the Mortgage and any other security instruments as may be required by CFC in connection with this Agreement, including, without limitation, all documentary stamps, recordation and transfer taxes and other costs and taxes incident to execution, filing, registration or recordation of any document or instrument in connection herewith. The Borrower agrees to save harmless and indemnify CFC from and against any liability resulting from the failure to pay any required documentary stamps, recordation and transfer taxes, recording costs, or any other expenses incurred by CFC in connection with this Agreement. The provisions of this subsection shall survive the execution and delivery of this Agreement and the payment of all other amounts due under the Loan Documents.

**Section 8.06 Waiver; Modification.** No failure on the part of CFC to exercise, and no delay in exercising, any right or power hereunder or under the other Loan Documents shall operate as a waiver thereof, nor shall any single or partial exercise by CFC of any right hereunder, or any abandonment or discontinuance of steps to enforce such right or power, preclude any other or further exercise thereof or the exercise of any other right or power. No modification or waiver of any provision of this Agreement, the Note or the other Loan Documents and no consent to any departure by the Borrower therefrom shall in any event be effective unless the same shall be in writing by the

party granting such modification, waiver or consent, and then such modification, waiver or consent shall be effective only in the specific instance and for the purpose for which given.

**SECTION 8.07 GOVERNING LAW; SUBMISSION TO JURISDICTION; WAIVER OF JURY TRIAL.**

(A) THE PERFORMANCE AND CONSTRUCTION OF THIS AGREEMENT AND THE NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE COMMONWEALTH OF VIRGINIA.

(B) THE BORROWER HEREBY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF THE UNITED STATES COURTS LOCATED IN VIRGINIA AND OF ANY STATE COURT SO LOCATED FOR PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. THE BORROWER IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTIONS THAT IT MAY NOW OR HEREAFTER HAVE TO THE ESTABLISHING OF THE VENUE OF ANY SUCH PROCEEDINGS BROUGHT IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

(C) THE BORROWER AND CFC EACH HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

**SECTION 8.08 INDEMNIFICATION.** THE BORROWER HEREBY INDEMNIFIES AND AGREES TO HOLD HARMLESS, AND DEFEND CFC AND ITS MEMBERS, DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, ATTORNEYS AND REPRESENTATIVES (EACH AN "INDEMNITEE") FOR, FROM, AND AGAINST ALL CLAIMS, DAMAGES, LOSSES, LIABILITIES, COSTS, AND EXPENSES (INCLUDING, WITHOUT LIMITATION, COSTS AND EXPENSES OF LITIGATION AND REASONABLE ATTORNEYS' FEES) ARISING FROM ANY CLAIM OR DEMAND IN RESPECT OF THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS, THE MORTGAGED PROPERTY, OR THE TRANSACTIONS DESCRIBED IN THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS AND ARISING AT ANY TIME, WHETHER BEFORE OR AFTER PAYMENT AND PERFORMANCE OF ALL OBLIGATIONS UNDER THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS IN FULL, EXCEPTING ANY SUCH MATTERS ARISING SOLELY FROM THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF CFC OR ANY INDEMNITEE INCLUDING WITHOUT LIMITATION ANY DETERMINATION MADE OR OTHER ACTION TAKEN BY CFC PURSUANT TO SECTIONS 3.04, 3.05 and 3.06 OF THIS AGREEMENT. NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN SECTION 8.10 HEREOF, THE OBLIGATIONS IMPOSED UPON THE BORROWER BY THIS SECTION SHALL SURVIVE THE REPAYMENT OF THE NOTE, THE TERMINATION OF THIS AGREEMENT AND THE TERMINATION OR RELEASE OF THE LIEN OF THE MORTGAGE.

**Section 8.09 Complete Agreement.** This Agreement, together with the schedules to this Agreement, the Note and the other Loan Documents, and the other agreements and matters referred to herein or by their terms referring hereto, is intended by the parties as a final expression of their agreement and is intended as a complete statement of the terms and conditions of their agreement. In the event of any conflict in the terms and provisions of this Agreement and any other Loan Documents, the terms and provisions of this Agreement shall control.

**Section 8.10 Survival; Successors and Assigns.** All covenants, agreements, representations and warranties of the Borrower which are contained in this Agreement shall survive the execution and delivery to CFC of the Loan Documents and the making of the Loan hereunder and shall continue in full force and effect until all of the obligations under the Loan Documents have been paid in full. All covenants, agreements, representations and warranties of the Borrower which are contained in this Agreement shall inure to the benefit of the successors and assigns of CFC. The Borrower shall not have the right to assign its rights or obligations under this Agreement without the prior written consent of CFC, except as provided in Section 5.02.A hereof.

**Section 8.11 Use of Terms.** The use of the singular herein shall also refer to the plural, and vice versa.

**Section 8.12 Headings.** The headings and sub-headings contained in this Agreement are intended to be used for convenience only and do not constitute part of this Agreement.

**Section 8.13 Severability.** If any term, provision or condition, or any part thereof, of this Agreement, the Note or the other Loan Documents shall for any reason be found or held invalid or unenforceable by any governmental agency or court of competent jurisdiction, such invalidity or unenforceability shall not affect the remainder of such term, provision or condition nor any other term, provision or condition, and this Agreement, the Note and the other Loan Documents shall survive and be construed as if such invalid or unenforceable term, provision or condition had not been contained therein.

**Section 8.14 Binding Effect.** This Agreement shall become effective when it shall have been executed by both the Borrower and CFC and thereafter shall be binding upon and inure to the benefit of the Borrower and CFC and their respective successors and assigns.

**Section 8.15 Counterparts.** This Agreement may be executed in one or more counterparts, each of which will be deemed an original and all of which together will constitute one and the same document. Signature pages may be detached from the counterparts and attached to a single copy of this Agreement to physically form one document.

**Section 8.16 Disclosure.** This Agreement and any other Loan Document may be shared by CFC with such Persons as shall be required in order to facilitate the issuance of the CREBs, including, but not limited to, its attorneys, underwriters and investors in the CREBs.

**Section 8.17 Schedule 1.** Schedule 1 attached hereto is an integral part of this Agreement.

**IN WITNESS WHEREOF,** the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

SULPHUR SPRINGS VALLEY
ELECTRIC COOPERATIVE, INC.

(SEAL)

By: Gene Manning

Title: President

Attest: _____
~~Secretary~~
CREDEN W. HUBER
CHIEF EXECUTIVE OFFICER

NATIONAL RURAL UTILITIES
COOPERATIVE FINANCE CORPORATION

(SEAL)

By: Marianne Dusold
Assistant Secretary-Treasurer

**MARIANNE L DUSOLD**

Attest: _____
Assistant Secretary-Treasurer
**CRAIG COLANTONI**

## SCHEDULE 1

1. The purpose of this loan is to finance (i) the reimbursement of the cost of the Project of the Borrower, including any reasonable costs and expenses incurred by the Borrower in connection with financing the Project, as described and permitted by the terms of the Project Agreement and (ii) a portion of CFC's costs in issuing the CREBs as set forth in Section 3.02.A.

2. The Project of the Borrower being financed by the Loan (funded by proceeds of the CREBs) constitutes the following clean renewable energy facilities:

   Sierra Vista School District Photovoltaic Solar Automobile Parking Shade Structure

   This project will place photovoltaic modules costing $280,000 each, that will produce 23 kW of electricity in the shade structures in the nine Sierra Vista School District schools. The PV structure will provide electricity to the respective school with excess power flowing to the Borrower's system.

3. Subject to the terms of this Agreement, CFC has agreed to loan to the Borrower from proceeds of the CREBs, an amount not to exceed $2,520,000.00 (the "CFC Commitment").

4. Draw Period shall mean the period beginning on the Closing Date and ending on the date that is five (5) years thereafter.

5. The Borrower shall not purchase the LCTCs or any portion thereof with funds from the Loan. The Borrower shall use its own funds or funds borrowed under another credit facility to purchase such LCTCs, subject to the CFC policies regarding LCTCs set forth in the following paragraph.

   **CFC Policies Regarding LCTCs:** (i) Any solvent Member of CFC with an outstanding LCTC purchased in connection with a loan from the proceeds of Securities may borrow the outstanding amount of the LCTC from CFC without a further credit review, for a term equal to or shorter than the maturity of the LCTC at a rate equal to the comparable rate charged by CFC for similarly classified loans; and (ii) any Member of CFC with an outstanding LCTC purchased in connection with a loan from the proceeds of Securities may sell such LCTC to another Member of CFC for consideration.

6. The Mortgage shall mean the Restated Mortgage and Security Agreement, dated as of December 6, 2007, between the Borrower and CFC, as it may have been supplemented, amended, consolidated, or restated from time to time.

7. The Note executed pursuant hereto is as follows:

| LOAN NUMBER | AMOUNT |
|---|---|
| AZ014-A-9046-CB001 | $2,520,000.00 |

8. The Subsidiaries of the Borrower referred to in Section 2.01.B. are: None

9. The date of the Borrower's balance sheet referred to in Section 2.01.H is June 30, 2006.

10. The Borrower's exact legal name is: Sulphur Springs Valley Electric Cooperative, Inc.

11. The Borrower's organizational type is: Corporation

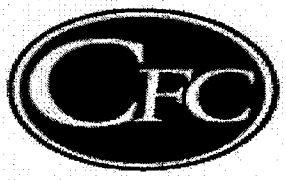
12. The Borrower is organized under the laws of the state of: Arizona

13. The Borrower's organizational identification number is: 0038220-2

14. The place of business or, if more than one, the chief executive office of the Borrower referred to in Section 2.01.I is 311 East Wilcox, Sierra Vista, Arizona 85635.

15. The Governmental Authority referred to in Section 2.01.J. is: Arizona Corporation Commission

16. The address for notices to the Borrower referred to in Section 8.01 is 311 East Wilcox, Sierra Vista, Arizona 85635, Attention: General Manager, Fax: (520) 384-5223.



## Exhibit A - Funds Requisition Statement

Borrower Name & ID: Sulphur Springs Valley Electric Cooperative, Inc. (AZ014)
Loan Number: AZ014-A-9046-CB001
Loan Agreement and Project Agreement with CFC dated:
CREBs Series: 2008A
CFC CREBs Application #: 16
Name of Project: Sierra Vista School District Photovoltaic Solar Automobile Parking Shade Structure
Funds Requisition Statement No.:

**Amount Requested:**
**Date Of Advance:**

**Disposition of Funds (wiring instructions):**

### Certification

Acting on behalf of the Borrower, I hereby certify that as of the date below: (1) I am duly authorized to make this certification and to request funds on the terms specified herein; (2) the Borrower has met all of the conditions contained in the Loan Agreement and the Project Agreement listed above governing the terms of this Advance that the Borrower is required to meet prior to an Advance of funds; (3) all of the representations and warranties contained in said Loan Agreement and Project Agreement are true and will continue to be true upon use of the funds as hereby requested; (4) no Event of Default, under the Loan Agreement or the Borrower's Mortgage, has occurred and is continuing; (5) I know of no other event that has occurred which, with the lapse of time and/or notification to CFC of such event, or after giving effect to this Advance, would become an Event of Default under the Loan Agreement or the Borrower's Mortgage; (6) the funds requested herein will be used only as a reimbursement for the purposes specified in the Loan Agreement and the Project Agreement; (7) the costs to be reimbursed by the funds requested herein are capital expenditures and have not previously been reimbursed under a previous Funds Requisition Statement; (8) the Borrower has secured sufficient funds to complete the Project; (9) any necessary permits and approvals required for the Project at this point have been obtained; (10) the Borrower is maintaining a file containing true and correct copies of invoices or bills of sale covering all items for which payment is sought by this request; (11) such costs have been incurred and paid by the Borrower in connection with the Project; (12) the Borrower is not using the funds requested hereby to make any payments of principal or interest due under the Loan Agreement; (13) no expenditure which is being reimbursed by the funds requested hereby was paid more than eighteen months after the later of (i) the date the expenditure is paid or (ii) the date the Project is placed in service, but in no event later than three years after the date the original expenditure was paid; and (14) set forth below is a table listing all of the major components of the Project, how much is being requested in this Funds Requisition Statement as an advance for certain components, how much has been

advanced on each component to date, the percentage of each component that is completed to date, and the purpose of the advance(s) being requested by this Funds Requisition Statement.

I hereby authorize CFC, for and on behalf of the Borrower, to forward this Funds Requisition Statement to the Trustee for disbursement of the Advance from the Project Account relating to the above Loan to the Borrower on the following terms, and hereby acknowledge and agree that such terms shall be binding upon Borrower under the provisions of the Loan Agreement governing this Advance:

| Project Component | Amount Expended to Date by Borrower | Amount Advanced to Date | Advance Amount Requested Herein | Percentage Complete |
|---|---|---|---|---|
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| | | | | |
| Total | | | | |

Certified By:

_____ _____ _____

Signature Date Title of Authorized Officer

**PLEASE FAX TO 703-709-6776 ATTN: _____, Associate Vice President**

APPROVED:

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION

By: _____
Title: _____
Date: _____

**EXHIBIT B**

**BRING-DOWN CERTIFICATE**
**OF**
**BORROWER**

The undersigned, _____, duly qualified officers of SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (the *"Borrower"*), an Arizona corporation, hereby certify as follows:

1. The following documents have been duly executed, and delivered or accepted in the name and on behalf of the Borrower by the authorized officer or officers of the Borrower pursuant to, and in full compliance with, authority granted by the Board of Trustees/Directors of the Borrower:

| DOCUMENT | DATE | OTHER PARTY OR PARTIES |
|---|---|---|
| Loan Agreement (the *"Agreement"*) | _____, 200_ | National Rural Utilities Cooperative Finance Corporation (*"CFC"*) |
| Project Agreement (the *"Project Agreement"*) | _____, 200_ | |
| Note (the *"Note"*) | _____, 200_ | |

2. Each of the representations and warranties of the Borrower in the Loan Agreement and the Project Agreement are true and correct on and as of the date hereof (the *"Closing Date"*), and the Borrower has complied with all agreements and satisfied all conditions on its part to be observed or satisfied thereunder at or prior to the Closing Date.

IN WITNESS WHEREOF, the undersigned have hereunto set their signatures this ____ day of _____, 2008.

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

By _____
Title:

By _____
Title:

**EXHIBIT C**

**COMPLETION CERTIFICATE**
**OF**
**BORROWER**

Pursuant to the Loan Agreement dated as of _____ by and between SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (the "Borrower") and National Rural Utilities Cooperative Finance Corporation ("CFC") relating to CFC Loan Number AZ014-A-9046-CB001 (the "Loan Agreement"), the undersigned, _____, duly qualified officer of the Borrower, hereby certifies as follows:

(i) On [date of completion] all portions of the Project (as defined in the Loan Agreement) have been fully completed substantially in accordance with any plans and specifications therefore, as then amended; and

(ii) Amount advanced on the Loan (as defined in the Loan Agreement) and the use of the property financed, refinanced or reimbursed therefrom will not cause any of the representations or certifications contained in the Project Agreement (as defined in the Loan Agreement) to be untrue or result in a violation of any covenant in the Project Agreement.

IN WITNESS WHEREOF, the undersigned have hereunto set his/her signature this ____ day of _____, 20____.

SULPHUR SPRINGS VALLEY ELECTRIC
COOPERATIVE, INC.

By _____
Title:

**EXHIBIT D**

**TERMINATION CERTIFICATE**
**OF**
**BORROWER**

Pursuant to the Loan Agreement dated as of _____ by and between SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (the "Borrower") and National Rural Utilities Cooperative Finance Corporation ("CFC") relating to CFC Loan Number AZ014-A-9046-CB001 (the "Loan Agreement"), the undersigned, _____, duly qualified officer of the Borrower, hereby certifies as follows:

(i) all portions of the Project (as defined in the Loan Agreement) have not been fully completed substantially in accordance with any plans and specifications therefor, as then amended;

(ii) no further acquisition, construction or installation will occur with respect to the Project (as defined in the Loan Agreement); and

(iii) the Borrower does not intend to request any further Advances (as defined in the Loan Agreement) on the Loan (as defined in the Loan Agreement).

IN WITNESS WHEREOF, the undersigned have hereunto set his/her signature this ____ day of _____, 20____.

SULPHUR SPRINGS VALLEY ELECTRIC
COOPERATIVE, INC.

By _____
Title:

**SECURED PROMISSORY NOTE**

$280,000.00 dated as of 12/21/2007

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC., an Arizona corporation (the "Borrower"), for value received, hereby promises to pay, without setoff, deduction, recoupment or counterclaim, to the order of NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION (the "Payee"), at its office in Herndon, Virginia office or such other location at its office in Herndon, Virginia or such other location as the Payee may designate to the Borrower, in lawful money of the United States, the principal sum of TWO HUNDRED EIGHTY THOUSAND AND 00/100 DOLLARS ($280,000.00), or such lesser sum of the aggregate unpaid principal amount of all advances made by the Payee pursuant to that certain Loan Agreement dated as of even date herewith between the Borrower and the Payee, as it may be amended from time to time (herein called the "Loan Agreement"), and to pay interest on all amounts remaining unpaid hereunder from the date of each advance in like money, at said office, at the rate and in amounts and payable on the dates provided in the Loan Agreement together with any other amount payable under the Loan Agreement. If not sooner paid, any balance of the principal amount and interest accrued thereon shall be due and payable on the Maturity Date.

This Note is secured under a Restated Mortgage and Security Agreement, dated of December 6, 2007 between the Borrower and the Payee, as it may have been or shall be supplemented, amended, consolidated or restated from time to time ("Mortgage"). This Note is one of the Notes referred to in, and has been executed and delivered pursuant to, the Loan Agreement.

The principal hereof and interest accrued thereon and any other amount due under the Loan Agreement may be declared to be forthwith due and payable in the manner, upon the conditions, and with the effect provided in the Mortgage or the Loan Agreement.

The Borrower waives demand, presentment for payment, notice of dishonor, protest, notice of protest, and notice of non-payment of this Note.

IN WITNESS WHEREOF the Borrower has caused this Note to be signed in its corporate name and its corporate seal to be hereunto affixed and to be attested by its duly authorized officers, all as of the day and year first above written.

SULPHUR SPRINGS VALLEY
ELECTRIC COOPERATIVE, INC.

(SEAL)

By: Gene Mannings

Title: President

Attest: _____
~~Secretary~~

CREDEN W. HUBER
CHIEF EXECUTIVE OFFICER

Loan No. AZ014-A-9047-CB001

PROJECT AGREEMENT

OF

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (THE *"BORROWER"*)

DATED: as of 12/21/2007

The undersigned is a duly qualified officer of the Borrower named above and, as such officer, is familiar with (i) the properties, affairs and records of the Borrower, (ii) the issuance of the Securities (as hereinafter defined) and the use of the proceeds thereof as it relates to the Borrower and (iii) the Project, as hereinafter defined.

In connection with the issuance of the Clean Renewable Energy Bonds (Cooperative Renewable Energy Projects) Series 2008A (the *"Securities"*), being issued by the National Rural Utilities Cooperative Finance Corporation (the *"Issuer"*), the undersigned hereby certifies and covenants regarding the use of the proceeds of the Securities advanced to the Borrower, as follows:

1. General.

1.1 This Project Agreement is made pursuant to Section 54 of the Internal Revenue Code of 1986, as amended (the *"Code"*), and any United States Treasury regulations and other guidance thereunder to make the certifications required by Section 54 of the Code and any United Stares Treasury regulations and other guidance thereunder and to establish the reasonable expectations of the Borrower with respect to the amount and use of amounts to be advanced to the Borrower pursuant to the Loan Agreement dated as of even date herewith between the Issuer and the Borrower (the *"Loan Agreement"*). Capitalized terms used herein are defined where they first appear or are defined in *Exhibit A* attached hereto.

1.2 This Project Agreement is based on facts and estimates in existence on the date hereof and the continued veracity of these facts and estimates as of the date that the Securities are issued (the *"Closing"*) will be confirmed by the Borrower on the date of Closing, and on the basis of such facts and estimates, the Borrower expects that the events described herein will occur. To the best of the undersigned's knowledge, information, and belief, the expectations contained in this Project Agreement are reasonable.

1.3 The Borrower is a Qualified Borrower, as defined in *Exhibit A,* and is responsible for the acquiring/constructing/equipping of the Project (defined below). The undersigned has reviewed this Project Agreement, as well as the provisions of Section 54 of the Code and any United States Treasury regulations and other guidance thereunder, with its own legal counsel and understands and is familiar with this Project Agreement and the provisions of Section 54 and any United States Treasury regulations and other guidance thereunder. The Borrower will

comply in all respects with the provisions of Section 54 and any United States Treasury regulations and other guidance thereunder.

1.4 The Borrower agrees to keep and retain or cause to be kept and retained sufficient records to demonstrate compliance with the covenants in this Project Agreement. Such records shall include, but are not limited to, basic records relating to the issuance of the Securities (including this Project Agreement and the inducement resolution as described in Section 3.3 hereof); documentation evidencing the expenditure of amounts advanced to the Borrower pursuant to the Loan Agreement; documentation evidencing the use of property financed with amounts advanced to the Borrower pursuant to the Loan Agreement; and documentation evidencing all sources of payment or security maintained by the Borrower for amounts advanced to the Borrower pursuant to the Loan Agreement. Such records shall be kept until the date three (3) years after the CREB Maturity Date.

1.5 Neither the Borrower nor any Related Person (as defined in Exhibit A) to the Borrower will purchase any Securities.

2. Qualified Project.

2.1 The Loan Agreement requires the amounts advanced thereunder to be used for facilities to be owned by the Borrower, described in more detail in Section 2.2 hereof and in *Exhibit B* attached hereto as the "Updated Description of the Project" (the *"Project"*). The Project was originally described in an exhibit to the Application for National Clean Renewable Energy Bond Limitation submitted to the Internal Revenue Service by the Issuer in support of the national clean renewable energy bond allocation received by the Issuer, which "Original Description of the Project" is attached hereto as *Exhibit C*.

2.2 The Project is a Solar Energy Facility (the *"Qualifying Facility"*), as defined in *Exhibit A* and property functionally related and subordinate thereto, as further described in *Exhibit B,* attached hereto.

3. Clean Renewable Energy Bonds Qualification.

3.1 At least 95 percent of the proceeds advanced to the Borrower pursuant to the Loan Agreement will be used by the Borrower for capital expenditures with respect to the Project. None of the proceeds of the Loan (as defined in the Loan Agreement) will be paid to the Issuer, the Borrower or any Related Person to the Issuer or the Borrower, except for amounts paid to the Borrower to reimburse the Borrower for actual and direct expenditures relating to the Project paid by the Borrower to persons other than the Issuer, the Borrower or any Related Person to the Issuer or the Borrower.

3.2 The Borrower has incurred or will, within six months of the Closing Date, incur a substantial binding obligation (not subject to contingencies within the control of the Issuer, the Borrower or any Related Person to either of them) to a third party

to expend at least ten percent of the Loan Amount (*i.e.* the total amount to be advanced to the Borrower pursuant to the Loan Agreement). It is expected that the work of acquiring/constructing/equipping the Project and the expenditure of the Loan Amount will proceed with due diligence through June 16, 2008, at which time it is anticipated that the Loan Amount will have been spent in its entirety. The Borrower acknowledges that, to the extent that less than 95 percent of the Loan Amount is expended by a date five years from the date of issuance of the Securities, the Borrower will be required to prepay its Loan in an amount, and the Issuer will redeem Securities at the end of such five-year period in an amount, necessary to maintain the tax credit with respect to the Securities, unless otherwise permitted by Section 6.5 hereof.

It is expected that all amounts advanced to the Borrower under the Loan Agreement will be spent to pay costs of the Project in accordance with the estimated periodic drawdown schedule contained in *Exhibit D,* attached hereto. The assumptions set forth in this Section 3.2 and on *Exhibit D,* attached hereto, represent the Borrower's best estimate, as of this date, of the periodic drawdown schedule of the Loan Amount.

3.3 The Borrower may use amounts advanced to the Borrower under the Loan Agreement to reimburse itself for expenditures paid prior to the date of issuance of the Securities. The Borrower shall reimburse itself for expenditures paid prior to the date of issuance of the Securities only if such expenditure was paid after the Borrower adopted an inducement resolution, and the expenditure is described in such inducement resolution.

**The Borrower shall use proceeds of the Loan to reimburse itself for expenditures paid prior to the date the Securities were issued only if such reimbursement is made within eighteen months after the later of (i) the date the expenditure is paid or (ii) the date the Project is placed in service, but in no event later than three years after the date the original expenditure was paid.**

Except for any reimbursement allowed under this Section 3.3, no portion of the proceeds advanced to the Borrower will be used to pay for expenditures relating to acquiring existing facilities (as contrasted with costs of enhancements, repair or rehabilitation of existing facilities).

3.4 Neither the Project nor any portion thereof has been, is expected to be, or will be sold or otherwise disposed of, in whole or in part, prior to the last maturity date of the Securities.

3.5 The Borrower has entered into the Loan Agreement of even date hereof under which it is committed to borrow $280,000 from the Issuer of the Securities and the Borrower reasonably expects to borrow and expend the full amount of such commitment.

3.6 At least 75% of the Loan Amount is expected to be used for Construction Purposes.

3.7 The Borrower will not use proceeds of the Loan (i) to pre-pay for goods or services to be received over a period of years prior to the date such goods or services are to be received, or (ii) to pay for or otherwise acquire goods or services from an Affiliated Person, as defined in *Exhibit A*.

3.8 The Borrower shall at all times be a Qualified Borrower.

4. Remedial Action.

4.1 The Borrower agrees to operate the Project as a Qualifying Facility.

The Borrower acknowledges that if property financed with proceeds of the Securities advanced to the Borrower is operated in a manner other than as a Qualifying Facility such operation may constitute a "deliberate action" that may require remedial actions to prevent the tax credit being produced by the Securities from being disallowed.

The Borrower shall promptly contact the Issuer as provided in Section 6.3 hereof if it considers operating property financed with proceeds of the Loan other than as a Qualifying Facility.

4.2 The Borrower acknowledges that if property financed with proceeds of the Loan is sold or otherwise disposed of in a manner contrary to the provisions of Section 3.4 hereof, such sale or disposition may constitute a "deliberate action" that may require remedial actions to prevent the tax credit being produced by the Securities from being disallowed. If the Borrower considers the sale or other disposition of property financed with proceeds of the Loan, it shall promptly contact the Issuer, in the manner set forth in Section 6.3 hereof.

5. Funds and Accounts; Investments.

5.1 After the issuance of the Securities, neither the Borrower nor any Related Person to the Borrower has or will have any property, including cash, securities or any other property held as a passive vehicle for the production of income or for investment purposes, that constitutes:

(i) amounts that have a sufficiently direct nexus to the Securities or to the governmental purpose of the Securities to conclude that the amounts would have been used for that governmental purpose if the Securities were not used or to be used for that governmental purpose (the mere availability or preliminary earmarking of such amounts for a governmental purpose, however, does not itself establish such a sufficient nexus);

(ii) amounts in a debt service fund, redemption fund, reserve fund, replacement fund or any similar fund to the extent reasonably expected to be used directly or indirectly to pay principal of or interest on the Securities or any amounts for which there is provided, directly or indirectly, a reasonable assurance that the amount will be available to pay principal of or interest on the Securities or any credit enhancement or liquidity device with respect to the Securities, even if the Issuer, the Borrower or any Related Person to either of them encounter financial difficulties; or

(iii) any amounts held pursuant to any agreement (such as an agreement to maintain certain levels of types of assets) made for the benefit of the holders of the Securities or any credit enhancement provider, including any liquidity device or negative pledge (*e.g.*, any amount pledged to pay principal of or interest on an issue held under an agreement to maintain the amount at a particular level for the direct or indirect benefit of holders of the Securities or a guarantor of the Securities).

No compensating balance, liquidity account, negative pledge of property held for investment purposes required to be maintained at least at a particular level or similar arrangement exists with respect to, in any way, the Securities or any credit enhancement or liquidity device related to the Securities.

5.2 During the acquiring/constructing/equipping of the Project, the Borrower will only draw down amounts from the Issuer for capital expenditures already paid by the Borrower.

5.3 Neither the Borrower nor any Related Person to the Borrower will enter into any hedge (*e.g.*, an interest rate swap, interest rate cap, futures contract, forward contract or an option) with respect to the Loan or the Securities.

5.4 All property subject to the Mortgage is and will be used by the Borrower in the conduct of its trade or business. The Borrower reasonably expects to repay the Loan from current operating revenues. The Mortgage does not require that cash, securities, obligations, annuity contracts or other property held principally as a passive vehicle for the production of income be maintained, individually or collectively, at any particular level.

6. Miscellaneous.

6.1 This Project Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia.

6.2 Prior to the date 15 days before the Securities were sold, neither the Borrower nor any Related Person to the Borrower has sold or delivered any obligations that are reasonably expected to be paid out of substantially the same source of funds as the Securities. Neither the Borrower nor any Related Person to the Borrower will sell

or deliver within 15 days after the date hereof any obligations that are reasonably expected to be paid out of substantially the same source of funds as the Securities.

6.3 All notices provided for herein shall be given or made in writing (including, without limitation, by telecopy) and delivered to the Issuer at the "Address for Notices" specified below. All such communications shall be deemed to have been duly given (i) when personally delivered including, without limitation, by overnight mail or courier service, (ii) in the case of notice by United States mail, certified or registered, postage prepaid, return receipt requested, upon receipt thereof, or (iii) in the case of notice by telecopy, upon transmission thereof, provided such transmission is promptly confirmed by either of the methods set forth in clauses (i) or (ii) above in each case given or addressed as provided for herein. The Address for Notices of the Issuer is as follows:

National Rural Utilities Cooperative Finance Corporation
2201 Cooperative Way
Herndon, Virginia 20171-3025
Attention: Senior Vice President – Member Services
Fax #703-709-6776

6.4 The Borrower represents that it has not been contacted by the Internal Revenue Service or any issuer of bonds, the proceeds of which were loaned to the Borrower regarding any examination of any tax exempt bonds issued for the benefit of the Borrower. To the best of the knowledge of the Borrower, no such obligations of the Borrower are currently under examination by the Internal Revenue Service.

6.5 Any restriction or covenant contained herein need not be observed or may be changed if such nonobservance or change will not result in the loss of any tax credit under Section 54 of the Code for the purpose of federal income taxation to which the Securities is otherwise entitled and the Borrower receives an opinion of Bond Counsel to such effect and the Issuer agrees to such nonobservance or change.

6.6 If any clause, provision or section of this Project Agreement is ruled invalid by any court of competent jurisdiction, the invalidity of such clause, provision or section shall not affect any of the remaining clauses, sections or provisions hereof.

6.7 The terms, provisions, covenants and conditions of this Project Agreement shall bind and inure to the benefit of the respective successors and assigns of the Issuer and the Borrower.

6.8 This Project Agreement shall terminate on the date three (3) years after the CREB Maturity Date.

The undersigned acknowledge that this Project Agreement is given as a basis for an opinion of the law firm of Chapman and Cutler LLP, Chicago, Illinois, and such firm is hereby authorized to rely on this Project Agreement.

DATED as of the day and year first above written.

SULPHUR SPRINGS VALLEY ELECTRIC
COOPERATIVE, INC.

By Gene Manning
Title President

CFC DOC
AZ014-A-9047-CB001 (JABLONJ)
117519-1

## EXHIBIT A

## DEFINITIONS

*"Affiliated Person"* means any Person that (a) at any time during the six months prior to the Closing Date, (i) has more than five percent of the voting power of the governing body of the Issuer or the Borrower in the aggregate vested in its directors, officers, owners, and employees or (ii) has more than five percent of the voting power of its governing body in the aggregate vested in directors, officers, board members, owners, members or employees of the Issuer or the Borrower or (b) during the one-year period beginning six months prior to the Closing Date, (i) the composition of the governing body of which is modified or established to reflect (directly or indirectly) representation of the interests of the Issuer or the Borrower (or for which an agreement, understanding, or arrangement relating to such a modification or establishment during that one-year period) or (ii) the composition of the governing body of the Issuer or the Borrower is modified or established to reflect (directly or indirectly) representation of the interests of such Person (or for which an agreement, understanding, or arrangement relating to such a modification or establishment during that one-year period).

*"Bond Counsel"* means Chapman and Cutler LLP or any other nationally recognized firm of attorneys experienced in the field of municipal obligations whose opinions are generally accepted by purchasers of municipal obligations.

*"Closing Date"* means the date the Issuer issues the Securities.

*"Code"* means the Internal Revenue Code of 1986, as amended.

*"Constructed Personal Property"* means tangible personal property (or, if acquired pursuant to a single acquisition contract, properties) or Specially Developed Computer Software if (i) a substantial portion of the property or properties is completed more than six (6) months after the earlier of the date construction or rehabilitation commenced and the date the Borrower entered into an acquisition contract; (ii) based on the reasonable expectations of the Borrower, if any, or representations of the person constructing the property, with the exercise of due diligence, completion of construction or rehabilitation (and delivery to the issuer) could not have occurred within that six-month period; and (iii) if the Borrower itself builds or rehabilitates the property, not more than 75 percent of the capitalizable cost is attributable to property acquired by the Borrower (*e.g.*, components, raw materials, and other supplies).

*"Construction Purposes"* means capital expenditures that are allocable to the cost of Real Property or Constructed Personal Property. Except as provided in the next succeeding sentence, construction expenditures do not include expenditures for acquisitions of interests in land or other existing real property. Expenditures are not for the acquisition of an interest in existing real property other than land if the contract between the seller and the Borrower requires the seller to build or install the property (*e.g.*, a *turnkey contract*), but only to the extent that the property has not been built or installed at the time the parties enter into the contract.

*"Control"* means the possession, directly or indirectly through others, of either of the following discretionary and non-ministerial rights or powers over another entity (i) to approve and to remove without cause a controlling portion of the governing body of a Controlled Entity, or (ii) to require the use of funds or assets of a Controlled Entity for any purpose.

*"Controlled Entity"* means any entity or one of a group of entities that is subject to Control by a Controlling Entity or group of Controlling Entities.

*"Controlled Group"* means a group of entities directly or indirectly subject to Control by the same entity or group of entities, including the entity that has the Control of the other entities.

*"Controlling Entity"* means any entity or one of a group of entities directly or indirectly having Control of any entities or group of entities.

*"CREB Maturity Date"* shall have the meaning ascribed to it in the Loan Agreement.

*"Governmental Body"* means any State, territory, possession of the United States, the District of Columbia, Indian tribal government, and any political subdivision thereof.

*"Mortgage"* means the mortgage and security agreement applicable to substantially all of the property of the Borrower.

*"Qualified Borrower"* means (i) a mutual or cooperative electric company described in Sections 501(c)(12) or 1381(a)(2)(C) of the Code, or (ii) a Governmental Body (as defined above).

*"Real Property"* means land and improvements to land, such as buildings or other inherently permanent structures, including interests in real property. For example, real property includes wiring in a building, plumbing systems, central heating or air-conditioning systems, pipes or ducts, elevators, escalators installed in a building, paved parking areas, roads, wharves and docks, bridges, and sewage lines.

*"Related Person"* means any member of the same Controlled Group as the Issuer or the Borrower and any person related to the Issuer or a Borrower within the meaning of Section 144(a)(3) of the Code.

*"Solar Energy Facility"* means a facility using solar energy to produce electricity.

*"Specially Developed Computer Software"* means any programs or routines used to cause a computer to perform a desired task or set of tasks, and the documentation required to describe and maintain those programs, provided that the software is specially developed and is functionally related and subordinate to real property or other constructed personal property.

*"Tangible Personal Property"* means any tangible property other than real property, including interests in tangible personal property. For example, tangible personal property

includes machinery that is not a structural component of a building, subway cars, fire trucks, automobiles, office equipment, testing equipment, and furnishings.

- Low harmonics
- Inverter must disconnect in the event grid power is lost
- Lockable safety switch located between the inverter and meter socket

TRAINING REQUIREMENTS:

The Contractor will provide sufficient time with the site owner to explain how to disconnect the system, locate inverter, identify all junction boxes between the modules, and identify any system warning lights or displays. Contractor will also provide system manual with basic operating instructions and all the associated warranty information and manufacturer contacts listed.

## EXHIBIT D

## MONTHLY DRAWDOWN SCHEDULE OF AMOUNTS TO BE ADVANCED TO THE BORROWER PURSUANT TO THE LOAN AGREEMENT

| DATE ON WHICH PROCEEDS ARE EXPECTED TO BE EXPENDED | AMOUNTS OF PROCEEDS TO BE EXPENDED |
|---|---|
| June 16, 2008 | $280,000 |

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

To

NATIONAL RURAL UTILITIES
COOPERATIVE FINANCE CORPORATION
Issuer

# LOAN AGREEMENT

Dated as of 12/21, 2007

Clean Renewable Energy Bonds
(Cooperative Renewable Energy Projects) Series 2008A
of National Rural Utilities Cooperative Finance Corporation

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## LOAN AGREEMENT

**LOAN AGREEMENT** (this "Agreement") dated as of _____, between SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. ("Borrower"), a corporation organized and existing under the laws of the State of Arizona and NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION ("CFC"), a cooperative association organized and existing under the laws of the District of Columbia.

## RECITALS

**WHEREAS,** the Borrower has applied to CFC for a loan for the purposes set forth in Schedule 1 hereto, and CFC is willing to make such a loan to the Borrower on the terms and conditions stated herein; and

**WHEREAS,** the Borrower has agreed to execute a promissory note to evidence an indebtedness in the aggregate principal amount of the CFC Commitment (as hereinafter defined).

**NOW, THEREFORE,** for and in consideration of the premises and the mutual covenants hereinafter contained, the parties hereto agree and bind themselves as follows:

## ARTICLE I

## DEFINITIONS

**Section 1.01** For purposes of this Agreement, the following capitalized terms shall have the following meanings (such definitions to be equally applicable to the singular and the plural form thereof). Capitalized terms that are not defined herein shall have the meanings as set forth in the Mortgage.

**"Accounting Requirements"** shall mean any system of accounts prescribed by a federal regulatory authority having jurisdiction over the Borrower or, in the absence thereof, the requirements of GAAP applicable to businesses similar to that of the Borrower.

**"Advance"** shall mean each advance of funds by CFC to the Borrower pursuant to the terms and conditions of this Agreement, including the Initial Advance and the Primary Advance.

**"Authorized Officer of the Borrower"** means the Chairman, General Manager or Chief Financial Officer of the Borrower or any other person authorized by the Board of the Borrower so to act or any other person performing a function similar to the function performed by any such officer or authorized person.

**"Average DSC Ratio"** shall mean the average of the Borrower's two highest annual DSC Ratios during the most recent three calendar years.

**"Bond Counsel"** means an attorney at law or a firm of attorneys (designated by CFC and acceptable to the Trustee) of nationally recognized standing in matters pertaining to the tax-exempt nature of interest or tax credits on bonds issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of any state of the United States of America.

**"Business Day"** shall mean any day that both CFC and the depository institution CFC utilizes for funds transfers hereunder are open for business.

**"CFC Commitment"** shall have the meaning as defined in Schedule 1.

**"CFC CREB Rate"** shall mean the interest rate charged by CFC for loans made by CFC from proceeds of the CREBs which rate shall not exceed one hundred and fifty basis points (150/100 of 1%) per annum.

**"Closing Date"** shall mean the date CFC issues the CREBs.

**"Code"** shall mean the Internal Revenue Code of 1986, as supplemented and amended.

**"Completion Certificate"** shall mean the certificate of the Borrower required by Section 5.01.P of this Agreement, substantially in the form of Exhibit C hereto.

**"CREBs"** shall mean the series of Securities issued by CFC to provide financing for the Project.

**"CREB Maturity Date"** shall mean the maturity date of the CREBs, which shall be the December 15th prior to the Maximum CREB Term Anniversary Date.

**"Debt Service Coverage ("DSC") Ratio"** shall mean the ratio determined as follows: for any calendar year add (i) Operating Margins, (ii) Non-Operating Margins--Interest, (iii) Interest Expense, (iv) Depreciation and Amortization Expense, and (v) cash received in respect of generation and transmission and other capital credits, and divide the sum so obtained by the sum of all payments of Principal and Interest Expense required to be made during such calendar year; provided, however, that in the event that any amount of Long-Term Debt has been refinanced during such year, the payments of Principal and Interest Expense required to be made during such year on account of such refinanced amount of Long-Term Debt shall be based (in lieu of actual payments required to be made on such refinanced amount of Long-Term 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 payment of Principal and Interest Expense required to be made during the following year on account of such refinancing debt.

**"Default Rate"** shall mean a rate per annum equal to one hundred and fifty basis points (150/100 of 1%).

**"Depreciation and Amortization Expense"** shall mean an amount constituting the depreciation and amortization of the Borrower computed pursuant to Accounting Requirements.

**"Determination of Tax Credit Ineligibility"** shall mean a determination that a particular series of Securities does not qualify for a tax credit for the owner thereof under Section 54 of the Code, which determination shall be deemed to have been made upon the occurrence of the first to occur of the following:

(a) the date on which CFC determines that there is a significant likelihood that a particular series of Securities may not qualify for a tax credit, if such determination is supported by a written opinion of Bond Counsel to that effect; or

(b) the date on which CFC shall receive notice in writing that the Trustee has been advised by the owner of any Security that a particular series of Securities does not qualify for a tax credit for the owner thereof, based upon a final determination made either by: (A) the Internal Revenue Service in a published or private ruling or technical advice memorandum or (B) any court of competent jurisdiction in the United States of America, as a result of a failure by CFC or any borrower to observe any agreement or representation in the Tax Compliance Agreement or a Loan Agreement or Project Agreement relating to the proceeds of the Securities. Any such determination will not be considered final for this purpose unless the Owner of the Securities involved in the proceeding or action resulting in the determination (i) gives CFC and the Trustee prompt written notice of the commencement thereof and (ii) if CFC agrees to pay all expenses in connection therewith and to indemnify such Owner of the Securities against all liabilities in connection therewith, offers CFC an opportunity to contest the determination, either directly or in the name of the Owner of the Securities, and until conclusion of any review, if sought.

**"Distributions"** shall mean, with respect to the Borrower, any dividend, patronage refund, patronage capital retirement or cash distribution to its members, or consumers (including but not limited to any general cancellation or abatement of charges for electric energy or services furnished by the Borrower). The term "Distribution" shall *not* include (a) a distribution by the Borrower to the estate of a deceased patron, (b) repayment by the Borrower of a membership fee upon termination of a membership, or (c) any rebate to a patron resulting from a cost abatement received by the Borrower, such as a reduction of wholesale power cost previously incurred.

**"Draw Period"** shall have the meaning as described in Schedule 1 hereto.

**"Environmental Laws"** shall mean all laws, rules and regulations promulgated by any Governmental Authority, with which Borrower is required to comply, regarding the use, treatment, discharge, storage, management, handling, manufacture, generation, processing, recycling, distribution, transport, release of or exposure to any Hazardous Material.

**"Equity"** shall mean the aggregate of the Borrower's equities and margins computed pursuant to Accounting Requirements.

**"Event of Default"** shall have the meaning as described in Article VI hereof.

**"Funds Requisition Statement"** shall mean the certificate of the Borrower, in the form set forth as Exhibit A to this Agreement, by which the Borrower will obtain an advance of funds from CFC under the Loan.

**"GAAP"** shall mean generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board.

**"Governmental Authority"** shall mean the government of the United States of America, any other nation or government, any state or other political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

**"Hazardous Material"** shall mean any (a) petroleum or petroleum products, radioactive materials, asbestos-containing materials, polychlorinated biphenyls, lead and radon gas, and (b) any

other substance designated as hazardous or toxic or as a pollutant or contaminant under any Environmental Law.

**"Indenture"** shall mean the Indenture between CFC and U.S. Bank Trust Company National Association, relating to the first issue of Securities, pursuant to which the Securities, including the CREBs are issued, as supplemented and amended.

**"Initial Advance"** shall mean the Advance made by CFC on the Closing Date pursuant to Section 3.02.A hereof to fund a portion of CFC's costs in issuing the CREBs attributable to the CFC Commitment, including, but not limited to, original issue discount, underwriting discount and other costs of issuance, including, without limitation, rating agency costs and legal, underwriting and Trustee expenses.

**"Interest Expense"** shall mean an amount constituting the interest expense with respect to Long-Term Debt of the Borrower computed pursuant to Accounting Requirements. 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 Restricted Rentals paid by the Borrower over 2% of the Borrower's Equity.

**"Lien"** shall mean any statutory or common law consensual or non-consensual mortgage, pledge, security interest, encumbrance, lien, right of set off, claim or charge of any kind, including, without limitation, any conditional sale or other title retention transaction, any lease transaction in the nature thereof and any secured transaction under the Uniform Commercial Code.

**"Loan"** shall mean the loan made by CFC to the Borrower, pursuant to this Agreement and the Note, in an aggregate principal amount not to exceed the CFC Commitment.

**"Loan Capital Term Certificate" or "LCTC"** shall mean a certificate, or book entry form of account, evidencing the Borrower's purchase of equity in CFC.

**"Loan Documents"** shall mean this Agreement, the Note, the Mortgage, the Project Agreement and all other documents or instruments executed, delivered or executed and delivered by the Borrower and evidencing, securing, governing or otherwise pertaining to, the Loan.

**"Long-Term Debt"** shall mean an amount constituting the long-term debt of the Borrower computed pursuant to Accounting Requirements.

**"Maturity Date"** shall mean the Payment Date immediately prior to the CREB Maturity Date permitted for the CREBs under Section 54(e)(2) of the Code as in effect on the Closing Date.

**"Maximum CREB Term Anniversary Date"** shall mean the anniversary of the Closing Date that occurs at the maximum term permitted for the CREBs under Section 54(e)(2) of the Code as in effect on the Closing Date.

**"Mortgage"** shall have the meaning as described in Schedule 1 hereto.

**"Mortgaged Property"** shall have the meaning ascribed to it in the Mortgage.

**"Non-Operating Margins--Interest"** shall mean the amount representing the interest component of non-operating margins of the Borrower computed pursuant to Accounting Requirements.

**"Note"** shall mean the secured promissory note, payable to the order of CFC, executed by the Borrower, dated as of even date herewith, pursuant to this Agreement as identified on Schedule 1 hereto and shall include any substitute note or modification thereto.

**"Obligations"** shall mean any and all liabilities, obligations or indebtedness owing by the Borrower to CFC, of any kind or description, irrespective of whether for the payment of money, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising.

**"Operating Margins"** shall mean the amount of patronage capital and operating margins of the Borrower computed pursuant to Accounting Requirements.

**"Payment Date"** shall mean the first (1st) day of each of March, June and September and December.

**"Payment Notice"** shall mean a notice furnished by CFC to the Borrower that indicates the amount of each payment of interest or interest and principal and the total amount of each payment due.

**"Permitted Encumbrances"** shall have the meaning ascribed to it in the Mortgage.

**"Person"** shall mean natural persons, cooperatives, corporations, limited liability companies, limited partnerships, general partnerships, limited liability partnerships, joint ventures, associations, companies, trusts or other organizations, irrespective of whether they are legal entities, and Governmental Authorities.

**"Primary Advance"** shall mean the Advance made by CFC to the Borrower pursuant to Section 3.02.B hereof two Business Days after the Closing Date to reimburse Borrower for costs of the Project.

**"Principal"** shall mean the amount of principal billed on account of Long-Term Debt of the Borrower computed pursuant to Accounting Requirements.

**"Project"** shall mean the project being financed pursuant to the Loan, as further described in Schedule 1.

**"Project Account"** means an account created pursuant to the Indenture within the Project Fund related to the CREBs.

**"Project Agreement"** shall mean the Project Agreement, dated as of even date herewith, executed by the Borrower with respect to the Project and the CREBs.

**"Project Fund"** means the Project Fund created and identified as such in the Indenture.

**"Restricted Rentals"** shall mean all rentals required to be paid under finance leases and charged to income, exclusive of any amounts paid under any such lease (whether or not designated therein as rental or additional rental) for maintenance or repairs, insurance, taxes, assessments, water rates or similar charges. For the purpose of this definition the term "finance lease" shall mean any lease having a rental term (including the term for which such lease may be renewed or extended at the option of the lessee) in excess of three (3) years and covering property having an initial cost in excess of $250,000 other than automobiles, trucks, trailers, other vehicles (including without

limitation aircraft and ships), office, garage and warehouse space and office equipment (including without limitation computers).

**"Securities"** shall mean one or more series of clean renewable energy bonds issued by CFC under the Indenture.

**"Subsidiary"** as to any Person, shall mean a corporation, partnership, limited partnership, limited liability company or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise qualified, all references to a "Subsidiary" or to "Subsidiaries" in this Agreement shall refer to a Subsidiary or Subsidiaries of the Borrower.

**"Tax Compliance Agreement"** means a tax compliance certificate and agreement of CFC with respect to a series of Securities, as accepted by the Trustee, as amended.

**"Termination Certificate"** shall mean the certificate of the Borrower required by Section 5.01.Q of this Agreement, substantially in the form of Exhibit D hereto.

**"Total Assets"** shall mean an amount constituting the total assets of the Borrower computed pursuant to Accounting Requirements.

**"Total Utility Plant"** shall mean the amount constituting the total utility plant of the Borrower computed pursuant to Accounting Requirements.

**"Trustee"** shall mean U.S. Bank Trust Company National Association and its successors and assigns.

## ARTICLE II

## REPRESENTATIONS AND WARRANTIES

**Section 2.01** The Borrower represents and warrants to CFC that as of the date of this Agreement:

A. **Good Standing.** The Borrower is duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization, is duly qualified to do business and is in good standing in those states in which it is required to be qualified to conduct its business. The Borrower is a member in good standing of CFC.

B. **Subsidiaries and Ownership.** Schedule 1 hereto sets forth a complete and accurate list of the Subsidiaries of the Borrower showing the percentage of the Borrower's ownership of the outstanding stock, membership interests or partnership interests, as applicable, of each Subsidiary.

C. **Authority; Validity.** The Borrower has the power and authority to enter into this Agreement, the Note, the Project Agreement and the Mortgage; to make the borrowing hereunder; to execute and deliver all documents and instruments required hereunder and to incur and perform the obligations provided for herein, in the Note, in the Project Agreement and in the Mortgage, all of which have been duly authorized by all necessary and proper action; and no consent or approval of

any Person, including, as applicable and without limitation, members of the Borrower, which has not been obtained is required as a condition to the validity or enforceability hereof or thereof.

Each of this Agreement, the Note, the Project Agreement and the Mortgage is, and when fully executed and delivered will be, legal, valid and binding upon the Borrower and enforceable against the Borrower in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity.

D. **No Conflicting Agreements.** The execution and delivery of the Loan Documents and performance by the Borrower of the obligations thereunder, and the transactions contemplated hereby or thereby, will not: (i) violate any provision of law, any order, rule or regulation of any court or other agency of government, any award of any arbitrator, the articles of incorporation or by-laws of the Borrower, or any indenture, contract, agreement, mortgage, deed of trust or other instrument to which the Borrower is a party or by which it or any of its property is bound; or (ii) be in conflict with, result in a breach of or constitute (with due notice and/or lapse of time) a default under, any such award, indenture, contract, agreement, mortgage, deed of trust or other instrument, or result in the creation or imposition of any Lien (other than contemplated hereby) upon any of the property or assets of the Borrower.

The Borrower is not in default in any material respect under any agreement or instrument to which it is a party or by which it is bound and no event or condition exists which constitutes a default, or with the giving of notice or lapse of time, or both, would constitute a default under any such agreement or instrument.

E. **Taxes.** The Borrower, and each of its Subsidiaries, has filed or caused to be filed all federal, state and local tax returns which are required to be filed and has paid or caused to be paid all federal, state and local taxes, assessments, and governmental charges and levies thereon, including interest and penalties to the extent that such taxes, assessments, and governmental charges and levies have become due, except for such taxes, assessments, and governmental charges and levies which the Borrower or any Subsidiary is contesting in good faith by appropriate proceedings for which adequate reserves have been set aside.

F. **Licenses and Permits.** The Borrower has duly obtained and now holds all licenses, permits, certifications, approvals and the like necessary to own and operate its property and business that are required by Governmental Authorities and each remains valid and in full force and effect.

G. **Litigation.** There are no outstanding judgments, suits, claims, actions or proceedings pending or, to the knowledge of the Borrower, threatened against or affecting the Borrower, its Subsidiaries or any of their respective properties which, if adversely determined, either individually or collectively, would have a material adverse effect upon the business, operations, prospects, assets, liabilities or financial condition of the Borrower or its Subsidiaries. The Borrower and its Subsidiaries are not, to the Borrower's knowledge, in default or violation with respect to any judgment, order, writ, injunction, decree, rule or regulation of any Governmental Authority which would have a material adverse effect upon the business, operations, prospects, assets, liabilities or financial condition of the Borrower or its Subsidiaries.

H. **Financial Statements.** The balance sheet of the Borrower as at the date identified in Schedule 1 hereto, the statement of operations of the Borrower for the period ending on said date, and the interim financial statements of the Borrower, all heretofore furnished to CFC, are complete and correct. Said balance sheet fairly presents the financial condition of the Borrower as at said date

and said statement of operations fairly reflects its operations for the period ending on said date. The Borrower has no contingent obligations or extraordinary forward or long-term commitments except as specifically stated in said balance sheet or herein. There has been no material adverse change in the financial condition or operations of the Borrower from that set forth in said financial statements except changes disclosed in writing to CFC prior to the date hereof.

I. **Borrower's Legal Status.** Schedule 1 hereto accurately sets forth: (i) the Borrower's exact legal name, (ii) the Borrower's organizational type and jurisdiction of organization, (iii) the Borrower's organizational identification number or accurate statement that the Borrower has none, and (iv) the Borrower's place of business or, if more than one, its chief executive office as well as the Borrower's mailing address if different.

J. **Required Approvals.** Other than the CREBs allocation received from the Internal Revenue Service, no license, consent or approval of any Governmental Authority is required to enable the Borrower to enter into this Agreement, the Project Agreement, the Note and the Mortgage, or to perform any of its Obligations provided for in such documents, including without limitation (and if applicable), that of any state public utilities commission, any state public service commission, and the Federal Energy Regulatory Commission, except as disclosed in Schedule 1 hereto, all of which the Borrower has obtained prior to the date hereof.

K. **Compliance With Laws.** The Borrower and each Subsidiary is in compliance, in all material respects, with all applicable requirements of law and all applicable rules and regulations of each Governmental Authority.

L. **Disclosure.** To the Borrower's knowledge, information and belief, neither this Agreement nor any document, certificate or financial statement furnished to CFC by or on behalf of the Borrower in connection herewith (all such documents, certificates and financial statements, taken as a whole) contains any untrue statement of a material fact or omits to state any material fact necessary in order to make the statements contained herein and therein not misleading.

M. **No Other Liens.** As to property which is presently included in the description of Mortgaged Property, the Borrower has not, without the prior written approval of CFC, executed or authenticated any security agreement or mortgage, or filed or authorized any financing statement to be filed with respect to assets owned by it, other than security agreements, mortgages and financing statements in favor of CFC, except as disclosed in writing to CFC prior to the date hereof or relating to Permitted Encumbrances.

N. **Environmental Matters.** Except as to matters which individually or in the aggregate would not have a material adverse effect upon the business or financial condition of the Borrower or its Subsidiaries, (i) Borrower is in compliance with all Environmental Laws (including, but not limited to, having any required permits and licenses), (ii) there have been no releases (other than releases remediated in compliance with Environmental Laws) from any underground or aboveground storage tanks (or piping associated therewith) that are or were present at the Mortgaged Property, (iii) Borrower has not received written notice or claim of any violation of any Environmental Law, (iv) there is no pending investigation of Borrower in regard to any Environmental Law, and (v) to the best of Borrower's knowledge, there has not been any release or contamination (other than releases or contamination remediated in compliance with Environmental Laws) resulting from the presence of Hazardous Materials on property owned, leased or operated by the Borrower.

O. **Project Agreement.** As set forth in the Project Agreement, the Project constitutes "a qualified project" as defined in Section 54(d)(2)(A) of the Code. As set forth in the Project Agreement,

the Borrower constitutes currently, and will remain through the period that the CREBs remain outstanding, "a Qualified Borrower", meaning a (i) mutual or cooperative electric company described in Sections 501(c)(12) or 1381(a)(2)(C) of the Code, or (ii) a Governmental Body, which is defined as any state, territory possession of the U.S., the District of Columbia, Indian tribal government, and any political subdivision thereof. The statements, information and descriptions contained in the Project Agreement are true, correct and complete, and do not contain any untrue statement or misleading statement of a material fact, and do not omit to state a material fact required to be stated therein or necessary to make the statements, information and descriptions contained therein, in the light of the circumstances under which they were made, not misleading, and the estimates and the assumptions contained in the Project Agreement are reasonable and based on the best information available to the Borrower.

## ARTICLE III

## LOAN

**Section 3.01 Definitions.** For purposes of this Article 3, the following capitalized terms shall have the following meanings:

**"Borrower's Annual Bond Repayment Amount"** shall mean the amount determined by dividing the CFC Commitment by the number of years from the Closing Date to the Maximum CREB Term Anniversary Date, which amount shall be recalculated on the date CFC rescinds any excess moneys pursuant to Section 3.05 or 3.06 hereof.

**"Quarterly Bond Deposit Amount"** shall mean for each Payment Date, the amount determined by subtracting from the Quarterly Bond Repayment Amount the principal amount payable by the Borrower pursuant to Section 3.03.A(ii)(b)(1) on such Payment Date.

**"Quarterly Bond Repayment Amount"** shall mean one-fourth (¼) of the Borrower's Annual Bond Repayment Amount.

**Section 3.02 Advances.** The obligation of the Borrower to repay the Advances shall be evidenced by the Note. The aggregate amount of all Advances made hereunder shall not exceed the CFC Commitment. At the end of the Draw Period, CFC shall have no further obligation to make Advances.

**A. Initial Advance.** Borrower hereby agrees that on the Closing Date, CFC shall automatically, and without action by Borrower, make the Initial Advance. On the Closing Date, CFC shall notify Borrower of the final amount of the Initial Advance and the amount of the CFC Commitment remaining for Borrower to subsequently Advance.

**B. Subsequent Advances.**

(i) The Borrower may submit a request for the Primary Advance to CFC in writing (which may be submitted by facsimile) no later than 12:00 noon local time at CFC's offices in Herndon, Virginia seven Business Days prior to the Closing Date. The Primary Advance may be requested in any amount up to the CFC Commitment. CFC shall make the Primary Advance two Business Days after the Closing Date in the lesser of (i) the aggregate amount of such requested Primary Advance, and (ii) the amount of the CFC Commitment less the amount of the Initial Advance.

(ii) Except as set forth in 3.02.A and 3.02.B(i) hereof, the Borrower shall submit its request for an Advance to CFC in writing (which may be submitted by facsimile) no later than 12:00 noon local time at CFC's offices in Herndon, Virginia at least two (2) Business Days prior to the last Business Day of any calendar month. Borrower may make multiple requests for Advances during any calendar month in any amount so long as the aggregate amount of all Advances requested in such month is in an amount not less than $100,000.00; *provided, however* that at such time as there remains less than $100,000.00 available for Advance hereunder, Borrower may request the entirety of such remaining amount. CFC shall make a single Advance to Borrower on the first Business Day of the calendar month following Borrower's request(s) for an Advance. Such Advance shall be in the aggregate amount of all Advances requested by Borrower in the prior month, *provided however* that at such time as there remains less than $100,000.00 available for Advance hereunder and Borrower requests the entirety of such remaining amount, CFC shall Advance the entirety of such remaining amount.

**Section 3.03 Interest Rate and Payment.** The Note shall be payable and bear interest as follows:

**A. Payments; Maturity; Amortization.**

(i) The Note shall be due and payable on the Maturity Date.

(ii) On each Payment Date, the Borrower shall promptly pay the following:

(a) accrued interest on the principal amount of the Loan outstanding less the amount of the Initial Advance; and

(b) the Quarterly Bond Repayment Amount, consisting of:

(1) the principal amount due on any outstanding Advances, determined on the basis of a quarterly amortization schedule from the date of each Advance; and

(2) the Quarterly Bond Deposit Amount.

(iii) If not sooner paid, any amount due on account of the unpaid principal, interest accrued thereon and fees, if any, shall be due and payable on the Maturity Date.

(iv) Each Advance shall amortize on a level principal payment basis from the date thereof through the Maturity Date.

(v) CFC will furnish to the Borrower a Payment Notice at least ten (10) days before each Payment Date, provided, however, that CFC's failure to send a Payment Notice shall not constitute a waiver by CFC or be deemed to relieve the Borrower of its obligation to make payments as and when due as provided for herein.

(vi) No provision of this Agreement or of any Note shall require the payment, or permit the collection, of interest in excess of the highest rate permitted by applicable law.

Borrower agrees that the records of, and all computations by, CFC (in whatever media they are recorded or maintained) as to the amount of principal, interest, fees and Quarterly Bond Deposit Amount due on the Loan shall be conclusive in the absence of manifest error.

**B. Application of Payments.** Each payment shall be applied to the Loan, first to any fees, costs, expenses or charges other than interest or principal, second to interest accrued, third to the Quarterly Bond Deposit Amount and the balance to principal.

**C. Application of Bond Repayment Deposit.** At such time as the aggregate amount billed by CFC in any calendar year on account of amortized principal under this Agreement exceeds the Borrower's Annual Bond Repayment Amount for such year, CFC shall apply a portion of the Borrower's prior payments of the Quarterly Bond Deposit Amount in the amount of such overage to principal then due. Until such time, Borrower's payments of the Quarterly Bond Deposit Amount shall not reduce the amount of principal outstanding and subject to amortization. Any amount paid by the Borrower under this Agreement on account of the Quarterly Bond Deposit Amount in excess of the principal amount of the fully advanced Loan shall be refunded to the Borrower on the Maturity Date.

**D. Interest Rate Computation.** Each Advance except the Initial Advance shall bear interest at the CFC CREB Rate which shall apply until the Maturity Date. The Initial Advance shall not bear interest. Interest on Advances shall be computed on the basis of a 30-day month and 360-day year.

**Section 3.04. Extraordinary Obligation to Prepay.** Upon a Determination of Tax Credit Ineligibility that subjects the CREBs to an extraordinary mandatory redemption due to a failure of the Borrower to observe any agreement or representation in this Loan Agreement (as more particularly described in paragraph (b) of the defined term "Determination of Tax Credit Ineligibility"), the Borrower shall prepay the Loan, or such part thereof as determined by CFC, at such times and in such amounts as determined by CFC within sixty (60) days of such determination together with a prepayment premium prescribed by CFC pursuant to its policies of general application in effect from time to time.

**Section 3.05. Rescission of Excess Moneys; Fee.** If the Borrower has not drawn down the full amount of the CFC Commitment at (i) the time of filing the Completion Certificate under Section 5.01P. hereof, (ii) the time of filing the Termination Certificate under 5.01Q. hereof, (iii) a Determination of Tax Credit Ineligibility or (iv) the end of the Draw Period, a corresponding rescission of the amount of principal available to be drawn on the Note as calculated by CFC shall automatically be made without further action by the Borrower. CFC shall release the Borrower from its obligations hereunder as to such rescinded portion, provided the Borrower complies with such terms and conditions as CFC may impose for such release including, without limitation, payment of any rescission fee that CFC may from time to time prescribe, pursuant to its policies of general application.

**Section 3.06. Cancellation of Excess Moneys.** If the Borrower has not drawn down the full amount of the CFC Commitment at the time CFC determines that it will cease making Advances hereunder pursuant to Section 7.01 hereof, a corresponding cancellation of the amount of principal available to be drawn on the Note as calculated by CFC shall automatically be made without action by the Borrower.

**Section 3.07. Default Rate.** If Borrower defaults on its obligation to make a payment due hereunder by the applicable Payment Date, and such default continues for thirty days thereafter, then

beginning on the thirty-first day after the Payment Date and for so long as such default continues, Advances shall bear interest at the Default Rate.

**Section 3.08. Patronage Capital; Interest Rate Discounts.** No patronage capital shall be earned, and no interest rate discounts shall apply, to the Loan.

**Section 3.09. Optional Prepayment.** Except for prepayments made pursuant to Section 3.04 hereof, no prepayment of any Advance, in whole or in part, may be made by the Borrower.

## ARTICLE IV

## CONDITIONS OF LENDING

**Section 4.01** The obligation of CFC to make any Advance hereunder is subject to satisfaction of the following conditions in form and substance satisfactory to CFC:

**A. Legal Matters.** All legal matters incident to the consummation of the transactions hereby contemplated shall be satisfactory to counsel for CFC.

**B. Documents.** CFC shall have been furnished with (i) the executed Loan Documents, (ii) certified copies of all such organizational documents and proceedings of the Borrower authorizing the transactions hereby contemplated as CFC shall require, (iii) an opinion of counsel for the Borrower addressing such legal matters as CFC shall reasonably require, and (iv) all other such documents as CFC may reasonably request.

**C. Government Approvals.** The Borrower shall have furnished to CFC true and correct copies of all certificates, authorizations, consents, permits and licenses from Governmental Authorities necessary for the execution or delivery of the Loan Documents or performance by the Borrower of the obligations thereunder.

**D. Representations and Warranties.** The representations and warranties contained in Article II shall be true on the date of the making of each Advance hereunder with the same effect as though such representations and warranties had been made on such date; no Event of Default and no event which, with the lapse of time or the notice and lapse of time would become such an Event of Default, shall have occurred and be continuing or will have occurred after giving effect to each Advance on the books of the Borrower; there shall have occurred no material adverse change in the business or condition, financial or otherwise, of the Borrower; and nothing shall have occurred which in the opinion of CFC materially and adversely affects the Borrower's ability to perform its obligations hereunder.

**E. Mortgage Recordation.** The Mortgage (and any amendments, supplements or restatements as CFC may require from time to time) shall have been duly filed, recorded or indexed in all jurisdictions necessary (and in any other jurisdiction that CFC shall have reasonably requested) to provide CFC a lien, subject to Permitted Encumbrances, on all of the Borrower's real property, all in accordance with applicable law, and the Borrower shall have paid all applicable taxes, recording and filing fees and caused satisfactory evidence thereof to be furnished to CFC.

**F. UCC Filings.** Uniform Commercial Code financing statements (and any continuation statements and other amendments thereto that CFC shall require from time to time) shall have been duly filed, recorded or indexed in all jurisdictions necessary (and in any other jurisdiction that CFC

shall have reasonably requested) to provide CFC a perfected security interest, subject to Permitted Encumbrances, in the Mortgaged Property which may be perfected by the filing of a financing statement, all in accordance with applicable law, and the Borrower shall have paid all applicable taxes, recording and filing fees and caused satisfactory evidence thereof to be furnished to CFC.

G. **Requisitions.** The Borrower will requisition each Advance by submitting its written requisition to CFC in the form attached as Exhibit A hereto. Requisitions for Advances shall be made only for the purposes set forth in Schedule 1 hereto.

H. **Other Information.** The Borrower shall have furnished such other information as CFC may reasonably require, including but not limited to (i) information regarding the specific purpose for an Advance and the use thereof, (ii) feasibility studies, cash flow projections, financial analyses and pro forma financial statements sufficient to demonstrate to CFC's reasonable satisfaction that after giving effect to the Advance requested, the Borrower shall continue to achieve the DSC ratio set forth in Section 5.01.A herein, to meet all of its debt service obligations, and otherwise to perform and to comply with all other covenants and conditions set forth in this Agreement, and (iii) any other information as CFC may reasonably request. CFC's obligation to make any Advance hereunder is conditioned upon prior receipt and approval of the Borrower's written requisition and other information and documentation, if any, as CFC may have requested pursuant to this paragraph.

I. **Issuance of Bonds.** CFC shall have issued CREBs in an amount not less than the CFC Commitment.

J. **CREB Allocation.** CFC shall have received an allocation in the amount of the CFC Commitment from the U.S. Department of Treasury for the Borrower's Project under its Securities program.

K. **Tax Credit Ineligibility.** There shall have occurred no Determination of Tax Credit Ineligibility with regard to the Borrower or the Project.

L. **Bring Down Certificate.** Two (2) Business Days prior to the Closing Date, the Borrower shall furnish CFC with a certificate of an Authorized Officer of the Borrower in the form of Exhibit B hereto, certifying that all of the representations and warranties set forth in Article II hereof are true on the Closing Date.

## ARTICLE V

## COVENANTS

**Section 5.01 Affirmative Covenants.** The Borrower covenants and agrees with CFC that until payment in full of the Note and performance of all obligations of the Borrower hereunder:

A. **Financial Ratios; Design of Rates.** The Borrower shall achieve an Average DSC Ratio of not less than 1.35. The Borrower shall not decrease its rates for electric service if it has failed to achieve a DSC Ratio of 1.35 for the calendar year prior to such reduction subject only to an order from a Governmental Authority properly exercising jurisdiction over the Borrower.

B. **Loan Proceeds.** The Borrower shall use the proceeds of this Loan solely for the purposes identified on Schedule 1 hereto.

**C. Notice.** The Borrower shall promptly notify CFC in writing of:

(i) any material adverse change in the business, operations, prospects, assets, liabilities or financial condition of the Borrower;

(ii) the institution or threat of any litigation or administrative proceeding of any nature involving the Borrower which could materially affect the business, operations, prospects, assets, liabilities or financial condition of the Borrower;

(iii) the occurrence of an Event of Default hereunder, or any event that, with the giving of notice or lapse of time, or both, would constitute an Event of Default.

**D. Default Notices.** Upon receipt of any notices with respect to a default by the Borrower under the terms of any evidence of any indebtedness with parties other than CFC or of any loan agreement, mortgage or other agreement relating thereto, the Borrower shall deliver copies of such notice to CFC.

**E. Annual Certificates.**

(i) Within one hundred twenty (120) days after the close of each calendar year, commencing with the year in which the initial Advance hereunder shall have been made, the Borrower will deliver to CFC a written statement, in form and substance satisfactory to CFC, signed by the Borrower's General Manager or Chief Executive Officer, stating that during such year, and that to the best of said person's knowledge, the Borrower has fulfilled all of its obligations under this Agreement, the Project Agreement, the Note, and the Mortgage throughout such year or, if there has been a default in the fulfillment of any such obligations, specifying each such default known to said person and the nature and status thereof.

(ii) The Borrower shall deliver to CFC within one hundred twenty (120) days of CFC's written request, which shall be no more frequently than once every year, a certification, in form and substance satisfactory to CFC, regarding the condition of the Mortgaged Property prepared by a professional engineer satisfactory to CFC. The Borrower shall also deliver to CFC such other information as CFC may reasonably request from time to time.

**F. Loan Capital Term Certificate Purchase.** The Borrower will purchase LCTCs, if required, in an amount calculated pursuant to CFC's policies of general application and shall pay for such LCTCs as required thereby. CFC's policies with respect to such LCTCs are set forth in Schedule 1.

**G. Financial Books; Financial Reports; Right of Inspection.** The Borrower will at all times keep, and safely preserve, proper books, records and accounts in which full and true entries will be made of all of the dealings, business and affairs of the Borrower, in accordance with Accounting Requirements. When requested by CFC, the Borrower will prepare and furnish CFC from time to time, periodic financial and statistical reports on its condition and operations. All of such reports shall be in such form and include such information as may be specified by CFC. Within one hundred twenty (120) days of the end of each calendar year during the term hereof, the Borrower shall furnish to CFC a full and complete report of its financial condition and statement of its operations as of the end of such calendar year, in form and substance satisfactory to CFC. In addition, within one hundred twenty (120) days of the end of each the Borrower's fiscal years during the term hereof, the Borrower shall furnish to CFC a full and complete consolidated and consolidating report of its financial condition and statement of its operations as of the end of such fiscal year,

audited and certified by independent certified public accountants nationally recognized or otherwise satisfactory to CFC and accompanied by a report of such audit in form and substance satisfactory to CFC, including without limitation a consolidated and consolidating balance sheet and the related consolidated and consolidating statements of income and cash flow. CFC, through its representatives, shall at all times during reasonable business hours and upon prior notice have access to, and the right to inspect and make copies of, any or all books, records and accounts, and any or all invoices, contracts, leases, payrolls, canceled checks, statements and other documents and papers of every kind belonging to or in the possession of the Borrower or in anyway pertaining to its property or business.

H. **Notice of Additional Secured Debt.** The Borrower will notify CFC promptly in writing if it incurs any additional secured indebtedness other than indebtedness to CFC or indebtedness otherwise provided for in the Mortgage.

I. **Funds Requisition.** The Borrower agrees (i) that CFC may rely conclusively upon the written instructions submitted to CFC in the Borrower's written request for an Advance hereunder, (ii) that such instructions shall constitute a covenant under this Agreement to repay the Advance in accordance with such instructions, the applicable Note, the Mortgage, the Project Agreement and this Agreement, and (iii) to request Advances only for the purposes set forth in Schedule 1 hereto.

J. **Compliance With Laws.** The Borrower and each Subsidiary shall remain in compliance, in all material respects, with all applicable requirements of law and applicable rules and regulations of each Governmental Authority.

K. **Taxes.** The Borrower shall pay, or cause to be paid all taxes, assessments or governmental charges lawfully levied or imposed on or against it and its properties prior to the time they become delinquent, except for any taxes, assessments or charges that are being contested in good faith and with respect to which adequate reserves as determined in good faith by the Borrower have been established and are being maintained.

L. **Further Assurances.** The Borrower shall execute any and all further documents, financing statements, agreements and instruments, and take all such further actions (including the filing and recording of financing statements, fixture filings, mortgages, deeds of trust and other documents), which may be required under any applicable law, or which CFC may reasonably request, to effectuate the transactions contemplated by the Loan Documents or to grant, preserve, protect or perfect the Liens created or intended to be created thereby. The Borrower also agrees to provide to CFC, from time to time upon request, evidence reasonably satisfactory to CFC as to the perfection and priority of the Liens created or intended to be created by the Loan Documents.

M. **Environmental Covenants.** Borrower shall:

(i) at its own cost, comply in all material respects with all applicable Environmental Laws, including, but not limited to, any required remediation; and

(ii) if it receives any written communication alleging Borrower's violation of any Environmental Law, provide CFC with a copy thereof within ten (10) Business Days after receipt, and promptly take appropriate action to remedy, cure, defend, or otherwise affirmatively respond to the matter.

N. **Limitations on Loans, Investments and Other Obligations.** The aggregate amount of all purchases, investments, loans, guarantees, commitments and other obligations described in

Section 5.02.D(i) of this Agreement shall at all times be less than fifteen percent (15%) of Total Utility Plant or fifty percent (50%) of Equity, whichever is greater.

**O. Tax Status of the CREBs.** The Borrower shall utilize the Project or cause it to be utilized as provided in the Project Agreement until the CREB Maturity Date. No use will be made of the proceeds of the CREBs other than as set forth herein and in the Project Agreement and no changes will be made in the Project or in the operation or beneficial use thereof (including, without limiting the generality of the foregoing, the use of the Project by the Borrower or any related person) without an opinion of Bond Counsel that such a use or change will not adversely affect the eligibility of the CREBs to qualify for a tax credit for the owner thereof, for federal income tax purposes. The Borrower agrees and warrants that it will not take or authorize or permit any action to be taken and has not taken or authorized or permitted any action to be taken and will not fail to take any action to comply with the Project Agreement which adversely affects the eligibility of the CREBs to qualify for a tax credit for the owner thereof, for federal income tax purposes. This agreement and warranty shall survive the termination of this Agreement.

**P. Completion Certificate.** The Borrower shall submit to CFC within 30 days after the completion of the Project, a Completion Certificate signed by an Authorized Officer of the Borrower.

**Q. Termination Certificate.** If the Borrower determines that the Project will not be completed as described in Section 5.01.P above, then the Borrower shall submit to CFC a Termination Certificate, within 30 days of a determination that:

(i) no further acquisition, construction or installation will occur with respect to the Project; and

(ii) the Borrower does not intend to make any further Advances.

**R. Other Information.** The Borrower shall furnish such other information as CFC may reasonably require relating to the Project.

**Section 5.02 Negative Covenants.** The Borrower covenants and agrees with CFC that until payment in full of the Note and performance of all obligations of the Borrower hereunder, the Borrower will not, directly or indirectly, without CFC's prior written consent:

**A. Limitations on Mergers.** Consolidate with, merge, or sell all or substantially all of its business or assets, or enter into an agreement for such consolidation, merger or sale, to another entity or person unless such action is either approved, as is evidenced by the prior written consent of CFC, or the purchaser, successor or resulting corporation is or becomes a member in good standing of CFC and assumes the due and punctual payment of the Note and the due and punctual performance of the covenants contained in the Mortgage and this Agreement.

**B. Limitations on Sale, Lease or Transfer of Capital Assets; Application of Proceeds.** Sell, lease or transfer (or enter into an agreement to sell, lease or transfer) any capital asset, except in accordance with this Section 5.02.B. If no Event of Default (and no event which with notice or lapse of time and notice would become an Event of Default) shall have occurred and be continuing, the Borrower may, without the prior written consent of CFC, sell, lease or transfer (or enter into an agreement to sell, lease or transfer) any capital asset in exchange for fair market value consideration paid to the Borrower if the value of such capital asset is less than five percent (5%) of Total Utility Plant and the aggregate value of capital assets sold, leased or transferred in any 12-month period is less than ten percent (10%) of Total Utility Plant.

**C. Limitation on Dividends, Patronage Refunds and Other Distributions.**

(i) Make Distributions in any calendar year if, after giving effect to the Distribution, the total Equity of the Borrower will be less than twenty percent (20%) of its Total Assets.

(ii) If, after giving effect to the Distribution, the total Equity of the Borrower will be less than twenty percent (20%) of its Total Assets, then the Borrower may nevertheless make Distributions of up to thirty percent (30%) of its total margins for the preceding calendar year.

(iii) Notwithstanding anything to the contrary in subparagraphs (i) and (ii) above, the Borrower shall not make any Distribution without the prior written consent of CFC if an Event of Default under this Agreement has occurred and is continuing.

**D. Limitations on Loans, Investments and Other Obligations.**

(i) (a) Purchase, or make any commitment to purchase, any stock, bonds, notes, debentures, or other securities or obligations of or beneficial interests in, (b) make, or enter into a commitment to make, any other investment, monetary or otherwise, in, (c) make, or enter into a commitment to make, any loan to, or (d) guarantee, assume, or otherwise become liable for, or enter into a commitment to guarantee, assume, or otherwise become liable for, any obligation of any Person if, after giving effect to such purchase, investment, loan, guarantee or commitment, the aggregate amount thereof would exceed the greater of fifteen percent (15%) of Total Utility Plant or fifty percent (50%) of Equity.

(ii) The following shall not be included in the limitation of purchases, investments, loans and guarantees in (i) above: (a) bonds, notes, debentures, stock, or other securities or obligations issued by or guaranteed by the United States or any agency or instrumentality thereof; (b) bonds, notes, debentures, stock, commercial paper, subordinated capital certificates, or any other security or obligation issued by CFC or by institutions whose senior unsecured debt obligations are rated by at least two nationally recognized rating organizations in either of their two highest categories; (c) investments incidental to loans made by CFC; (d) any deposit that is fully insured by the United States; (e) loans and grants made by any Governmental Authority to the Borrower under any rural economic development program, but only to the extent that such loans and grants are non-recourse to the Borrower; and (f) unretired patronage capital allocated to the Borrower by CFC, a cooperative from which the Borrower purchases electric power, or a statewide cooperative association of which Borrower is a member.

(iii) In no event may the Borrower take any action pursuant to subsection (i) if an Event of Default under this Agreement has occurred and is continuing,

**E. Organizational Change.** Change its type of organization or other legal structure, except as permitted by Section 5.02.A. hereof, in which case the Borrower shall provide at least 30 days prior written notice to CFC together with all documentation reflecting such change as CFC may reasonably require.

**F. Notice of Change in Borrower Information.** Change its (i) state of incorporation, (ii) legal name, (iii) mailing address, or (iv) organizational identification number, if it has one, unless the Borrower provides written notice to CFC at least thirty (30) days prior to the effective date of any such change together with all documentation reflecting any such change as CFC may reasonably require.

## ARTICLE VI

## EVENTS OF DEFAULT

**Section 6.01** The following shall be "Events of Default" under this Agreement:

**A. Representations and Warranties.** Any representation or warranty made by the Borrower herein, or in any of the other Loan Documents, or in any certificate or financial statement furnished to CFC hereunder or under any of the other Loan Documents shall prove to be false or misleading in any material respect.

**B. Payment.** The Borrower shall fail to pay (whether upon stated maturity, by acceleration, or otherwise) any principal, interest, premium (if any) or other amount payable under the Note and the Loan Documents within five (5) Business Days after the due date thereof.

**C. Other Covenants.**

**(i) No Grace Period.** Failure of the Borrower to observe or perform any covenant or agreement contained in the Project Agreement or in Sections 5.01.A, 5.01.B, 5.01.D, 5.01.E, 5.01.G, 5.01.I, 5.01.N, 5.01.O and 5.02 of this Agreement.

**(ii) Thirty Day Grace Period.** Failure of the Borrower to observe or perform any other covenant or agreement contained in this Agreement or any of the other Loan Documents, which shall remain unremedied for thirty (30) calendar days after written notice thereof shall have been given to the Borrower by CFC.

**D. Legal Existence, Permits and Licenses.** The Borrower shall forfeit or otherwise be deprived of (i) its authority to conduct business in the jurisdiction in which it is organized or in any other jurisdiction where such authority is required in order for the Borrower to conduct its business in such jurisdiction or (ii) permits, easements, consents or licenses required to carry on any material portion of its business.

**E. Other CFC Obligations.** The Borrower shall be in breach or default of any Obligation, which breach or default continues uncured beyond the expiration of any applicable grace period.

**F. Other Obligations.** The Borrower shall (i) fail to make any payment of any principal, premium or any other amount due or interest on any indebtedness with parties other than CFC which shall remain unpaid beyond the expiration of any applicable grace period, or (ii) be in breach or default with respect to any other term of any evidence of any other indebtedness with parties other than CFC or of any loan agreement, mortgage or other agreement relating thereto which breach or default continues uncured beyond the expiration of any applicable grace period, if the effect of such failure, default or breach is to cause the holder or holders of that indebtedness to cause that indebtedness to become or be declared due prior to its stated maturity (upon the giving or receiving of notice, lapse of time, both or otherwise).

**G. Involuntary Bankruptcy.** An involuntary case or other proceeding shall be commenced against the Borrower seeking liquidation, reorganization or other relief with respect to it or its debts under bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property and such involuntary case or other proceeding shall continue without dismissal or

stay for a period of sixty (60) days; or an order for relief shall be entered against the Borrower under the federal bankruptcy laws or applicable state law as now or hereafter in effect.

H. **Insolvency.** The Borrower shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall admit in writing its inability to, or be generally unable to, pay its debts as they become due, or shall take any action to authorize any of the foregoing.

I. **Dissolution or Liquidation.** Other than as provided in subsection H. above, the dissolution or liquidation of the Borrower, or failure by the Borrower promptly to forestall or remove any execution, garnishment or attachment of such consequence as will impair its ability to continue its business or fulfill its obligations and such execution, garnishment or attachment shall not be vacated within sixty (60) days. The term "dissolution or liquidation of the Borrower", as used in this subsection, shall not be construed to include the cessation of the corporate existence of the Borrower resulting either from a merger or consolidation of the Borrower into or with another corporation following a transfer of all or substantially all its assets as an entirety, under the conditions set forth in Section 5.02.A.

J. **Material Adverse Change.** Any material adverse change in the business or condition, financial or otherwise, of the Borrower.

K. **Monetary Judgment.** The Borrower shall suffer any money judgment not covered by insurance, writ or warrant of attachment or similar process involving an amount in excess of $100,000 and shall not discharge, vacate, bond or stay the same within a period of sixty (60) days.

L. **Nonmonetary Judgment.** One or more nonmonetary judgments or orders (including, without limitation, injunctions, writs or warrants of attachment, garnishment, execution, distraint, replevin or similar process) shall be rendered against the Borrower that, either individually or in the aggregate, could reasonably be expected to have a material adverse effect upon the business, operations, prospects, assets, liabilities or financial condition of the Borrower.

## ARTICLE VII

## REMEDIES

**Section 7.01** If any of the Events of Default listed in Section 6 hereof shall occur after the date of this Agreement and shall not have been remedied within the applicable grace periods specified therein, then CFC may:

(i) Cease making Advances hereunder;

(ii) Declare all unpaid principal outstanding on the Note, all accrued and unpaid interest thereon, and all other Obligations to be immediately due and payable and the same shall thereupon become immediately due and payable without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived;

(iii) Exercise rights of setoff or recoupment and apply any and all amounts held, or hereby held, by CFC or owed to the Borrower or for the credit or account of the Borrower against any and all of the Obligations of the Borrower now or hereafter existing hereunder or under the Note, including, but not limited to, patronage capital allocations and retirements, money due to Borrower from equity certificates purchased from CFC, and any membership or other fees that would otherwise be returned to Borrower but excluding any LCTCs purchased by the Borrower pursuant to this Agreement. The rights of CFC under this section are in addition to any other rights and remedies (including other rights of setoff or recoupment) which CFC may have. The Borrower waives all rights of setoff, deduction, recoupment or counterclaim;

(iv) Pursue all rights and remedies available to CFC that are contemplated by the Mortgage and the other Loan Documents in the manner, upon the conditions, and with the effect provided in the Mortgage and the other Loan Documents, including, but not limited to, a suit for specific performance, injunctive relief or damages;

(v) Pursue any other rights and remedies available to CFC at law or in equity.

Nothing herein shall limit the right of CFC to pursue all rights and remedies available to a creditor following the occurrence of an Event of Default. Each right, power and remedy of CFC shall be cumulative and concurrent, and recourse to one or more rights or remedies shall not constitute a waiver of any other right, power or remedy.

## ARTICLE VIII

## MISCELLANEOUS

**Section 8.01 Notices.** All notices, requests and other communications provided for herein including, without limitation, any modifications of, or waivers, requests or consents under, this Agreement shall be given or made in writing (including, without limitation, by telecopy) and delivered to the intended recipient at the "Address for Notices" specified below; or, as to any party, at such other address as shall be designated by such party in a notice to each other party. All such communications shall be deemed to have been duly given (i) when personally delivered including, without limitation, by overnight mail or courier service, (ii) in the case of notice by United States mail, certified or registered, postage prepaid, return receipt requested, upon receipt thereof, or (iii) in the case of notice by telecopy, upon transmission thereof, provided such transmission is promptly confirmed by either of the methods set forth in clauses (i) or (ii) above in each case given or addressed as provided for herein. The Address for Notices of each of the respective parties is as follows:

National Rural Utilities Cooperative Finance Corporation
2201 Cooperative Way
Herndon, Virginia 20171-3025
Attention: Senior Vice President – Member Services
Fax # 703-709-6776

The Borrower:

The address set forth in
Schedule 1 hereto

**Section 8.02 Expenses.** Borrower shall reimburse CFC for any reasonable costs and out-of-pocket expenses paid or incurred by CFC (including, without limitation, reasonable fees and expenses of outside attorneys, paralegals and consultants) for all actions CFC takes, (a) to enforce the payment of any Obligation, to effect collection of any Mortgaged Property, or in preparation for such enforcement or collection, (b) to institute, maintain, preserve, enforce and foreclose on CFC's security interest in or Lien on any of the Mortgaged Property, whether through judicial proceedings or otherwise, (c) to restructure any of the Obligations, (d) to review, approve or grant any consents or waivers hereunder, (e) to prepare, negotiate, execute, deliver, review, amend or modify this Agreement, (f) to prepare, negotiate, execute, deliver, review, amend or modify any other agreements, documents and instruments deemed necessary or appropriate by CFC in connection with any of the foregoing, and (g) to obtain any opinions required to be furnished upon a Determination of Tax Credit Ineligibility and an extraordinary prepayment as set forth in Section 3.04 hereof or a rescission of excess money as set forth in Section 3.05 or a cancellation of excess moneys as set forth in Section 3.06.

The amount of all such expenses identified in this Section 8.02 shall be secured by the Mortgage and shall be payable upon demand, and if not paid, shall accrue interest at the Default Rate.

**Section 8.03 Late Payments.** If payment of any amount due hereunder is not received at CFC's office in Herndon, Virginia, or such other location as CFC may designate to the Borrower within five (5) Business Days after the due date thereof, the Borrower will pay to CFC, in addition to all other amounts due under the terms of the Loan Documents, any late payment charge as may be fixed by CFC from time to time pursuant to its policies of general application as in effect from time to time.

**Section 8.04. Non-Business Day Payments.** If any payment to be made by the Borrower hereunder shall become due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall be included in computing any interest in respect of such payment.

**Section 8.05 Filing Fees.** To the extent permitted by law, the Borrower agrees to pay all expenses of CFC (including the reasonable fees and expenses of its counsel) in connection with the filing, registration, recordation or perfection of the Mortgage and any other security instruments as may be required by CFC in connection with this Agreement, including, without limitation, all documentary stamps, recordation and transfer taxes and other costs and taxes incident to execution, filing, registration or recordation of any document or instrument in connection herewith. The Borrower agrees to save harmless and indemnify CFC from and against any liability resulting from the failure to pay any required documentary stamps, recordation and transfer taxes, recording costs, or any other expenses incurred by CFC in connection with this Agreement. The provisions of this subsection shall survive the execution and delivery of this Agreement and the payment of all other amounts due under the Loan Documents.

**Section 8.06 Waiver; Modification.** No failure on the part of CFC to exercise, and no delay in exercising, any right or power hereunder or under the other Loan Documents shall operate as a waiver thereof, nor shall any single or partial exercise by CFC of any right hereunder, or any abandonment or discontinuance of steps to enforce such right or power, preclude any other or further exercise thereof or the exercise of any other right or power. No modification or waiver of any provision of this Agreement, the Note or the other Loan Documents and no consent to any departure by the Borrower therefrom shall in any event be effective unless the same shall be in writing by the

party granting such modification, waiver or consent, and then such modification, waiver or consent shall be effective only in the specific instance and for the purpose for which given.

**SECTION 8.07 GOVERNING LAW; SUBMISSION TO JURISDICTION; WAIVER OF JURY TRIAL.**

(A) THE PERFORMANCE AND CONSTRUCTION OF THIS AGREEMENT AND THE NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE COMMONWEALTH OF VIRGINIA.

(B) THE BORROWER HEREBY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF THE UNITED STATES COURTS LOCATED IN VIRGINIA AND OF ANY STATE COURT SO LOCATED FOR PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. THE BORROWER IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTIONS THAT IT MAY NOW OR HEREAFTER HAVE TO THE ESTABLISHING OF THE VENUE OF ANY SUCH PROCEEDINGS BROUGHT IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

(C) THE BORROWER AND CFC EACH HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

**SECTION 8.08 INDEMNIFICATION.** THE BORROWER HEREBY INDEMNIFIES AND AGREES TO HOLD HARMLESS, AND DEFEND CFC AND ITS MEMBERS, DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, ATTORNEYS AND REPRESENTATIVES (EACH AN "INDEMNITEE") FOR, FROM, AND AGAINST ALL CLAIMS, DAMAGES, LOSSES, LIABILITIES, COSTS, AND EXPENSES (INCLUDING, WITHOUT LIMITATION, COSTS AND EXPENSES OF LITIGATION AND REASONABLE ATTORNEYS' FEES) ARISING FROM ANY CLAIM OR DEMAND IN RESPECT OF THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS, THE MORTGAGED PROPERTY, OR THE TRANSACTIONS DESCRIBED IN THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS AND ARISING AT ANY TIME, WHETHER BEFORE OR AFTER PAYMENT AND PERFORMANCE OF ALL OBLIGATIONS UNDER THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS IN FULL, EXCEPTING ANY SUCH MATTERS ARISING SOLELY FROM THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF CFC OR ANY INDEMNITEE INCLUDING WITHOUT LIMITATION ANY DETERMINATION MADE OR OTHER ACTION TAKEN BY CFC PURSUANT TO SECTIONS 3.04, 3.05 and 3.06 OF THIS AGREEMENT. NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN SECTION 8.10 HEREOF, THE OBLIGATIONS IMPOSED UPON THE BORROWER BY THIS SECTION SHALL SURVIVE THE REPAYMENT OF THE NOTE, THE TERMINATION OF THIS AGREEMENT AND THE TERMINATION OR RELEASE OF THE LIEN OF THE MORTGAGE.

**Section 8.09 Complete Agreement.** This Agreement, together with the schedules to this Agreement, the Note and the other Loan Documents, and the other agreements and matters referred to herein or by their terms referring hereto, is intended by the parties as a final expression of their agreement and is intended as a complete statement of the terms and conditions of their agreement. In the event of any conflict in the terms and provisions of this Agreement and any other Loan Documents, the terms and provisions of this Agreement shall control.

**Section 8.10 Survival; Successors and Assigns.** All covenants, agreements, representations and warranties of the Borrower which are contained in this Agreement shall survive the execution and delivery to CFC of the Loan Documents and the making of the Loan hereunder and shall continue in full force and effect until all of the obligations under the Loan Documents have been paid in full. All covenants, agreements, representations and warranties of the Borrower which are contained in this Agreement shall inure to the benefit of the successors and assigns of CFC. The Borrower shall not have the right to assign its rights or obligations under this Agreement without the prior written consent of CFC, except as provided in Section 5.02.A hereof.

**Section 8.11 Use of Terms.** The use of the singular herein shall also refer to the plural, and vice versa.

**Section 8.12 Headings.** The headings and sub-headings contained in this Agreement are intended to be used for convenience only and do not constitute part of this Agreement.

**Section 8.13 Severability.** If any term, provision or condition, or any part thereof, of this Agreement, the Note or the other Loan Documents shall for any reason be found or held invalid or unenforceable by any governmental agency or court of competent jurisdiction, such invalidity or unenforceability shall not affect the remainder of such term, provision or condition nor any other term, provision or condition, and this Agreement, the Note and the other Loan Documents shall survive and be construed as if such invalid or unenforceable term, provision or condition had not been contained therein.

**Section 8.14 Binding Effect.** This Agreement shall become effective when it shall have been executed by both the Borrower and CFC and thereafter shall be binding upon and inure to the benefit of the Borrower and CFC and their respective successors and assigns.

**Section 8.15 Counterparts.** This Agreement may be executed in one or more counterparts, each of which will be deemed an original and all of which together will constitute one and the same document. Signature pages may be detached from the counterparts and attached to a single copy of this Agreement to physically form one document.

**Section 8.16 Disclosure.** This Agreement and any other Loan Document may be shared by CFC with such Persons as shall be required in order to facilitate the issuance of the CREBs, including, but not limited to, its attorneys, underwriters and investors in the CREBs.

**Section 8.17 Schedule 1.** Schedule 1 attached hereto is an integral part of this Agreement.

**IN WITNESS WHEREOF,** the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

SULPHUR SPRINGS VALLEY
ELECTRIC COOPERATIVE, INC.

(SEAL)

By: Gene Manning

Title: President

Attest: _____
~~Secretary~~

CREDEN W. HUBER
CHIEF EXECUTIVE OFFICER

NATIONAL RURAL UTILITIES
COOPERATIVE FINANCE CORPORATION

(SEAL)

By: Marianne Dusold
Assistant Secretary-Treasurer

MARIANNE L DUSOLD

Attest: _____
Assistant Secretary-Treasurer

CRAIG COLANTONI

## SCHEDULE 1

1. The purpose of this loan is to finance (i) the reimbursement of the cost of the Project of the Borrower, including any reasonable costs and expenses incurred by the Borrower in connection with financing the Project, as described and permitted by the terms of the Project Agreement and (ii) a portion of CFC's costs in issuing the CREBs as set forth in Section 3.02.A.

2. The Project of the Borrower being financed by the Loan (funded by proceeds of the CREBs) constitutes the following clean renewable energy facilities:

   Sonoita Elementary School District Photovoltaic Solar Automobile Parking Shade Structure

   This project will place a photovoltaic module that will produce 23 kW of electricity in the shade structure at the Sonoita Elementary School. The PV structure will provide electricity to the school with excess power flowing to the Borrower's system.

3. Subject to the terms of this Agreement, CFC has agreed to loan to the Borrower from proceeds of the CREBs, an amount not to exceed $280,000.00 (the "CFC Commitment").

4. Draw Period shall mean the period beginning on the Closing Date and ending on the date that is five (5) years thereafter.

5. The Borrower shall not purchase the LCTCs or any portion thereof with funds from the Loan. The Borrower shall use its own funds or funds borrowed under another credit facility to purchase such LCTCs, subject to the CFC policies regarding LCTCs set forth in the following paragraph.

   **CFC Policies Regarding LCTCs:** (i) Any solvent Member of CFC with an outstanding LCTC purchased in connection with a loan from the proceeds of Securities may borrow the outstanding amount of the LCTC from CFC without a further credit review, for a term equal to or shorter than the maturity of the LCTC at a rate equal to the comparable rate charged by CFC for similarly classified loans; and (ii) any Member of CFC with an outstanding LCTC purchased in connection with a loan from the proceeds of Securities may sell such LCTC to another Member of CFC for consideration.

6. The Mortgage shall mean the Restated Mortgage and Security Agreement, dated as of December 6, 2007, between the Borrower and CFC, as it may have been supplemented, amended, consolidated, or restated from time to time.

7. The Note executed pursuant hereto is as follows:

| LOAN NUMBER | AMOUNT |
|---|---|
| AZ014-A-9047-CB001 | $280,000.00 |

8. The Subsidiaries of the Borrower referred to in Section 2.01.B. are: None

9. The date of the Borrower's balance sheet referred to in Section 2.01.H is June 30, 2006.

10. The Borrower's exact legal name is: Sulphur Springs Valley Electric Cooperative, Inc.

11. The Borrower's organizational type is: Corporation

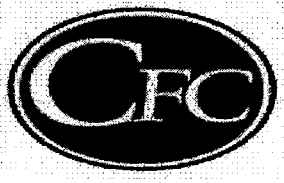
12. The Borrower is organized under the laws of the state of: Arizona

13. The Borrower's organizational identification number is: 0038220-2

14. The place of business or, if more than one, the chief executive office of the Borrower referred to in Section 2.01.I is 311 East Wilcox, Sierra Vista, Arizona 85635.

15. The Governmental Authority referred to in Section 2.01.J. is: Arizona Corporation Commission

16. The address for notices to the Borrower referred to in Section 8.01 is 311 East Wilcox, Sierra Vista, Arizona 85635, Attention: General Manager, Fax: (520) 384-5223.



## Exhibit A - Funds Requisition Statement

Borrower Name & ID: Sulphur Springs Valley Electric Cooperative, Inc. (AZ014)
Loan Number: AZ014-A-9047-CB001
Loan Agreement and Project Agreement with CFC dated:
CREBs Series: 2008A
CFC CREBs Application #: 17
Name of Project: Sonoita Elementary School District Photovoltaic Solar Automobile Parking Shade Structure
Funds Requisition Statement No.:

**Amount Requested:**
**Date Of Advance**:

**Disposition of Funds (wiring instructions):**

### Certification

Acting on behalf of the Borrower, I hereby certify that as of the date below: (1) I am duly authorized to make this certification and to request funds on the terms specified herein; (2) the Borrower has met all of the conditions contained in the Loan Agreement and the Project Agreement listed above governing the terms of this Advance that the Borrower is required to meet prior to an Advance of funds; (3) all of the representations and warranties contained in said Loan Agreement and Project Agreement are true and will continue to be true upon use of the funds as hereby requested; (4) no Event of Default, under the Loan Agreement or the Borrower's Mortgage, has occurred and is continuing; (5) I know of no other event that has occurred which, with the lapse of time and/or notification to CFC of such event, or after giving effect to this Advance, would become an Event of Default under the Loan Agreement or the Borrower's Mortgage; (6) the funds requested herein will be used only as a reimbursement for the purposes specified in the Loan Agreement and the Project Agreement; (7) the costs to be reimbursed by the funds requested herein are capital expenditures and have not previously been reimbursed under a previous Funds Requisition Statement; (8) the Borrower has secured sufficient funds to complete the Project; (9) any necessary permits and approvals required for the Project at this point have been obtained; (10) the Borrower is maintaining a file containing true and correct copies of invoices or bills of sale covering all items for which payment is sought by this request; (11) such costs have been incurred and paid by the Borrower in connection with the Project; (12) the Borrower is not using the funds requested hereby to make any payments of principal or interest due under the Loan Agreement; (13) no expenditure which is being reimbursed by the funds requested hereby was paid more than eighteen months after the later of (i) the date the expenditure is paid or (ii) the date the Project is placed in service, but in no event later than three years after the date the original expenditure was paid; and (14) set forth below is a table listing all of the major components of the Project, how much is being requested in this Funds Requisition Statement as an advance for certain components, how much has been

advanced on each component to date, the percentage of each component that is completed to date, and the purpose of the advance(s) being requested by this Funds Requisition Statement.

I hereby authorize CFC, for and on behalf of the Borrower, to forward this Funds Requisition Statement to the Trustee for disbursement of the Advance from the Project Account relating to the above Loan to the Borrower on the following terms, and hereby acknowledge and agree that such terms shall be binding upon Borrower under the provisions of the Loan Agreement governing this Advance:

| Project Component | Amount Expended to Date by Borrower | Amount Advanced to Date | Advance Amount Requested Herein | Percentage Complete |
|---|---|---|---|---|
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| Total | | | | |

Certified By:

_____ _____ _____

Signature Date Title of Authorized Officer

**PLEASE FAX TO 703-709-6776 ATTN: _____, Associate Vice President**

APPROVED:

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION

By: _____
Title: _____
Date: _____

**EXHIBIT B**

**BRING-DOWN CERTIFICATE**
**OF**
**BORROWER**

The undersigned, _____, duly qualified officers of SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (the *"Borrower"*), an Arizona corporation, hereby certify as follows:

1. The following documents have been duly executed, and delivered or accepted in the name and on behalf of the Borrower by the authorized officer or officers of the Borrower pursuant to, and in full compliance with, authority granted by the Board of Trustees/Directors of the Borrower:

| DOCUMENT | DATE | OTHER PARTY OR PARTIES |
|---|---|---|
| Loan Agreement (the *"Agreement"*) | _____, 200_ | National Rural Utilities Cooperative Finance Corporation (*"CFC"*) |
| Project Agreement (the *"Project Agreement"*) | _____, 200_ | |
| Note (the *"Note"*) | _____, 200_ | |

2. Each of the representations and warranties of the Borrower in the Loan Agreement and the Project Agreement are true and correct on and as of the date hereof (the *"Closing Date"*), and the Borrower has complied with all agreements and satisfied all conditions on its part to be observed or satisfied thereunder at or prior to the Closing Date.

IN WITNESS WHEREOF, the undersigned have hereunto set their signatures this ____ day of _____, 2008.

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

By _____
Title:

By _____
Title:

**EXHIBIT C**

**COMPLETION CERTIFICATE**
**OF**
**BORROWER**

Pursuant to the Loan Agreement dated as of _____ by and between SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (the "Borrower") and National Rural Utilities Cooperative Finance Corporation ("CFC") relating to CFC Loan Number AZ014-A-9047-CB001 (the "Loan Agreement"), the undersigned, _____, duly qualified officer of the Borrower, hereby certifies as follows:

(i) On [date of completion] all portions of the Project (as defined in the Loan Agreement) have been fully completed substantially in accordance with any plans and specifications therefore, as then amended; and

(ii) Amount advanced on the Loan (as defined in the Loan Agreement) and the use of the property financed, refinanced or reimbursed therefrom will not cause any of the representations or certifications contained in the Project Agreement (as defined in the Loan Agreement) to be untrue or result in a violation of any covenant in the Project Agreement.

IN WITNESS WHEREOF, the undersigned have hereunto set his/her signature this ____ day of _____, 20____.

SULPHUR SPRINGS VALLEY ELECTRIC
COOPERATIVE, INC.

By _____
Title:

**EXHIBIT D**

**TERMINATION CERTIFICATE**
**OF**
**BORROWER**

Pursuant to the Loan Agreement dated as of _____ by and between SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (the "Borrower") and National Rural Utilities Cooperative Finance Corporation ("CFC") relating to CFC Loan Number AZ014-A-9047-CB001 (the "Loan Agreement"), the undersigned, _____, duly qualified officer of the Borrower, hereby certifies as follows:

(i) all portions of the Project (as defined in the Loan Agreement) have not been fully completed substantially in accordance with any plans and specifications therefor, as then amended;

(ii) no further acquisition, construction or installation will occur with respect to the Project (as defined in the Loan Agreement); and

(iii) the Borrower does not intend to request any further Advances (as defined in the Loan Agreement) on the Loan (as defined in the Loan Agreement).

IN WITNESS WHEREOF, the undersigned have hereunto set his/her signature this ____ day of _____, 20____.

SULPHUR SPRINGS VALLEY ELECTRIC
COOPERATIVE, INC.

By _____
Title:

**SECURED PROMISSORY NOTE**

$560,000.00 dated as of 12/21/2007

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC., an Arizona corporation (the "Borrower"), for value received, hereby promises to pay, without setoff, deduction, recoupment or counterclaim, to the order of NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION (the "Payee"), at its office in Herndon, Virginia office or such other location at its office in Herndon, Virginia or such other location as the Payee may designate to the Borrower, in lawful money of the United States, the principal sum of FIVE HUNDRED SIXTY THOUSAND AND 00/100 DOLLARS ($560,000.00), or such lesser sum of the aggregate unpaid principal amount of all advances made by the Payee pursuant to that certain Loan Agreement dated as of even date herewith between the Borrower and the Payee, as it may be amended from time to time (herein called the "Loan Agreement"), and to pay interest on all amounts remaining unpaid hereunder from the date of each advance in like money, at said office, at the rate and in amounts and payable on the dates provided in the Loan Agreement together with any other amount payable under the Loan Agreement. If not sooner paid, any balance of the principal amount and interest accrued thereon shall be due and payable on the Maturity Date.

This Note is secured under a Restated Mortgage and Security Agreement, dated of December 6, 2007 between the Borrower and the Payee, as it may have been or shall be supplemented, amended, consolidated or restated from time to time ("Mortgage"). This Note is one of the Notes referred to in, and has been executed and delivered pursuant to, the Loan Agreement.

The principal hereof and interest accrued thereon and any other amount due under the Loan Agreement may be declared to be forthwith due and payable in the manner, upon the conditions, and with the effect provided in the Mortgage or the Loan Agreement.

The Borrower waives demand, presentment for payment, notice of dishonor, protest, notice of protest, and notice of non-payment of this Note.

IN WITNESS WHEREOF the Borrower has caused this Note to be signed in its corporate name and its corporate seal to be hereunto affixed and to be attested by its duly authorized officers, all as of the day and year first above written.

SULPHUR SPRINGS VALLEY
ELECTRIC COOPERATIVE, INC.

(SEAL)

By: Gene Manning

Title: President

Attest: [signature]
~~Secretary~~

CREDEN W. HUBER
CHIEF EXECUTIVE OFFICER

Loan No. AZ014-A-9048-CB001

CFC NOTE
AZ014-A-9048-CB001 (JABLONJ)
116036-2

**PROJECT AGREEMENT**

**OF**

**SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (THE *"BORROWER"*)**

DATED: as of 12/21/2007

The undersigned is a duly qualified officer of the Borrower named above and, as such officer, is familiar with (i) the properties, affairs and records of the Borrower, (ii) the issuance of the Securities (as hereinafter defined) and the use of the proceeds thereof as it relates to the Borrower and (iii) the Project, as hereinafter defined.

In connection with the issuance of the Clean Renewable Energy Bonds (Cooperative Renewable Energy Projects) Series 2008A (the *"Securities"*), being issued by the National Rural Utilities Cooperative Finance Corporation (the *"Issuer"*), the undersigned hereby certifies and covenants regarding the use of the proceeds of the Securities advanced to the Borrower, as follows:

1. General.

1.1 This Project Agreement is made pursuant to Section 54 of the Internal Revenue Code of 1986, as amended (the *"Code"*), and any United States Treasury regulations and other guidance thereunder to make the certifications required by Section 54 of the Code and any United Stares Treasury regulations and other guidance thereunder and to establish the reasonable expectations of the Borrower with respect to the amount and use of amounts to be advanced to the Borrower pursuant to the Loan Agreement dated as of even date herewith between the Issuer and the Borrower (the *"Loan Agreement"*). Capitalized terms used herein are defined where they first appear or are defined in *Exhibit A* attached hereto.

1.2 This Project Agreement is based on facts and estimates in existence on the date hereof and the continued veracity of these facts and estimates as of the date that the Securities are issued (the *"Closing"*) will be confirmed by the Borrower on the date of Closing, and on the basis of such facts and estimates, the Borrower expects that the events described herein will occur. To the best of the undersigned's knowledge, information, and belief, the expectations contained in this Project Agreement are reasonable.

1.3 The Borrower is a Qualified Borrower, as defined in *Exhibit A*, and is responsible for the acquiring/constructing/equipping of the Project (defined below). The undersigned has reviewed this Project Agreement, as well as the provisions of Section 54 of the Code and any United States Treasury regulations and other guidance thereunder, with its own legal counsel and understands and is familiar with this Project Agreement and the provisions of Section 54 and any United States Treasury regulations and other guidance thereunder. The Borrower will

comply in all respects with the provisions of Section 54 and any United States Treasury regulations and other guidance thereunder.

1.4 The Borrower agrees to keep and retain or cause to be kept and retained sufficient records to demonstrate compliance with the covenants in this Project Agreement. Such records shall include, but are not limited to, basic records relating to the issuance of the Securities (including this Project Agreement and the inducement resolution as described in Section 3.3 hereof); documentation evidencing the expenditure of amounts advanced to the Borrower pursuant to the Loan Agreement; documentation evidencing the use of property financed with amounts advanced to the Borrower pursuant to the Loan Agreement; and documentation evidencing all sources of payment or security maintained by the Borrower for amounts advanced to the Borrower pursuant to the Loan Agreement. Such records shall be kept until the date three (3) years after the CREB Maturity Date.

1.5 Neither the Borrower nor any Related Person (as defined in Exhibit A) to the Borrower will purchase any Securities.

2. Qualified Project.

2.1 The Loan Agreement requires the amounts advanced thereunder to be used for facilities to be owned by the Borrower, described in more detail in Section 2.2 hereof and in *Exhibit B* attached hereto as the "Updated Description of the Project" (the *"Project"*). The Project was originally described in an exhibit to the Application for National Clean Renewable Energy Bond Limitation submitted to the Internal Revenue Service by the Issuer in support of the national clean renewable energy bond allocation received by the Issuer, which "Original Description of the Project" is attached hereto as *Exhibit C*.

2.2 The Project is a Solar Energy Facility (the *"Qualifying Facility"*), as defined in *Exhibit A* and property functionally related and subordinate thereto, as further described in *Exhibit B*, attached hereto.

3. Clean Renewable Energy Bonds Qualification.

3.1 At least 95 percent of the proceeds advanced to the Borrower pursuant to the Loan Agreement will be used by the Borrower for capital expenditures with respect to the Project. None of the proceeds of the Loan (as defined in the Loan Agreement) will be paid to the Issuer, the Borrower or any Related Person to the Issuer or the Borrower, except for amounts paid to the Borrower to reimburse the Borrower for actual and direct expenditures relating to the Project paid by the Borrower to persons other than the Issuer, the Borrower or any Related Person to the Issuer or the Borrower.

3.2 The Borrower has incurred or will, within six months of the Closing Date, incur a substantial binding obligation (not subject to contingencies within the control of the Issuer, the Borrower or any Related Person to either of them) to a third party

to expend at least ten percent of the Loan Amount (*i.e.* the total amount to be advanced to the Borrower pursuant to the Loan Agreement). It is expected that the work of acquiring/constructing/equipping the Project and the expenditure of the Loan Amount will proceed with due diligence through August 11, 2008, at which time it is anticipated that the Loan Amount will have been spent in its entirety. The Borrower acknowledges that, to the extent that less than 95 percent of the Loan Amount is expended by a date five years from the date of issuance of the Securities, the Borrower will be required to prepay its Loan in an amount, and the Issuer will redeem Securities at the end of such five-year period in an amount, necessary to maintain the tax credit with respect to the Securities, unless otherwise permitted by Section 6.5 hereof.

It is expected that all amounts advanced to the Borrower under the Loan Agreement will be spent to pay costs of the Project in accordance with the estimated periodic drawdown schedule contained in *Exhibit D,* attached hereto. The assumptions set forth in this Section 3.2 and on *Exhibit D,* attached hereto, represent the Borrower's best estimate, as of this date, of the periodic drawdown schedule of the Loan Amount.

3.3 The Borrower may use amounts advanced to the Borrower under the Loan Agreement to reimburse itself for expenditures paid prior to the date of issuance of the Securities. The Borrower shall reimburse itself for expenditures paid prior to the date of issuance of the Securities only if such expenditure was paid after the Borrower adopted an inducement resolution, and the expenditure is described in such inducement resolution.

**The Borrower shall use proceeds of the Loan to reimburse itself for expenditures paid prior to the date the Securities were issued only if such reimbursement is made within eighteen months after the later of (i) the date the expenditure is paid or (ii) the date the Project is placed in service, but in no event later than three years after the date the original expenditure was paid.**

Except for any reimbursement allowed under this Section 3.3, no portion of the proceeds advanced to the Borrower will be used to pay for expenditures relating to acquiring existing facilities (as contrasted with costs of enhancements, repair or rehabilitation of existing facilities).

3.4 Neither the Project nor any portion thereof has been, is expected to be, or will be sold or otherwise disposed of, in whole or in part, prior to the last maturity date of the Securities.

3.5 The Borrower has entered into the Loan Agreement of even date hereof under which it is committed to borrow $560,000 from the Issuer of the Securities and the Borrower reasonably expects to borrow and expend the full amount of such commitment.

3.6 At least 75% of the Loan Amount is expected to be used for Construction Purposes.

3.7 The Borrower will not use proceeds of the Loan (i) to pre-pay for goods or services to be received over a period of years prior to the date such goods or services are to be received, or (ii) to pay for or otherwise acquire goods or services from an Affiliated Person, as defined in *Exhibit A*.

3.8 The Borrower shall at all times be a Qualified Borrower.

4. Remedial Action.

4.1 The Borrower agrees to operate the Project as a Qualifying Facility.

The Borrower acknowledges that if property financed with proceeds of the Securities advanced to the Borrower is operated in a manner other than as a Qualifying Facility such operation may constitute a "deliberate action" that may require remedial actions to prevent the tax credit being produced by the Securities from being disallowed.

The Borrower shall promptly contact the Issuer as provided in Section 6.3 hereof if it considers operating property financed with proceeds of the Loan other than as a Qualifying Facility.

4.2 The Borrower acknowledges that if property financed with proceeds of the Loan is sold or otherwise disposed of in a manner contrary to the provisions of Section 3.4 hereof, such sale or disposition may constitute a "deliberate action" that may require remedial actions to prevent the tax credit being produced by the Securities from being disallowed. If the Borrower considers the sale or other disposition of property financed with proceeds of the Loan, it shall promptly contact the Issuer, in the manner set forth in Section 6.3 hereof.

5. Funds and Accounts; Investments.

5.1 After the issuance of the Securities, neither the Borrower nor any Related Person to the Borrower has or will have any property, including cash, securities or any other property held as a passive vehicle for the production of income or for investment purposes, that constitutes:

(i) amounts that have a sufficiently direct nexus to the Securities or to the governmental purpose of the Securities to conclude that the amounts would have been used for that governmental purpose if the Securities were not used or to be used for that governmental purpose (the mere availability or preliminary earmarking of such amounts for a governmental purpose, however, does not itself establish such a sufficient nexus);

(ii) amounts in a debt service fund, redemption fund, reserve fund, replacement fund or any similar fund to the extent reasonably expected to be used directly or indirectly to pay principal of or interest on the Securities or any amounts for which there is provided, directly or indirectly, a reasonable assurance that the amount will be available to pay principal of or interest on the Securities or any credit enhancement or liquidity device with respect to the Securities, even if the Issuer, the Borrower or any Related Person to either of them encounter financial difficulties; or

(iii) any amounts held pursuant to any agreement (such as an agreement to maintain certain levels of types of assets) made for the benefit of the holders of the Securities or any credit enhancement provider, including any liquidity device or negative pledge (*e.g.,* any amount pledged to pay principal of or interest on an issue held under an agreement to maintain the amount at a particular level for the direct or indirect benefit of holders of the Securities or a guarantor of the Securities).

No compensating balance, liquidity account, negative pledge of property held for investment purposes required to be maintained at least at a particular level or similar arrangement exists with respect to, in any way, the Securities or any credit enhancement or liquidity device related to the Securities.

5.2 During the acquiring/constructing/equipping of the Project, the Borrower will only draw down amounts from the Issuer for capital expenditures already paid by the Borrower.

5.3 Neither the Borrower nor any Related Person to the Borrower will enter into any hedge (*e.g.,* an interest rate swap, interest rate cap, futures contract, forward contract or an option) with respect to the Loan or the Securities.

5.4 All property subject to the Mortgage is and will be used by the Borrower in the conduct of its trade or business. The Borrower reasonably expects to repay the Loan from current operating revenues. The Mortgage does not require that cash, securities, obligations, annuity contracts or other property held principally as a passive vehicle for the production of income be maintained, individually or collectively, at any particular level.

6. Miscellaneous.

6.1 This Project Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia.

6.2 Prior to the date 15 days before the Securities were sold, neither the Borrower nor any Related Person to the Borrower has sold or delivered any obligations that are reasonably expected to be paid out of substantially the same source of funds as the Securities. Neither the Borrower nor any Related Person to the Borrower will sell

or deliver within 15 days after the date hereof any obligations that are reasonably expected to be paid out of substantially the same source of funds as the Securities.

6.3 All notices provided for herein shall be given or made in writing (including, without limitation, by telecopy) and delivered to the Issuer at the "Address for Notices" specified below. All such communications shall be deemed to have been duly given (i) when personally delivered including, without limitation, by overnight mail or courier service, (ii) in the case of notice by United States mail, certified or registered, postage prepaid, return receipt requested, upon receipt thereof, or (iii) in the case of notice by telecopy, upon transmission thereof, provided such transmission is promptly confirmed by either of the methods set forth in clauses (i) or (ii) above in each case given or addressed as provided for herein. The Address for Notices of the Issuer is as follows:

National Rural Utilities Cooperative Finance Corporation
2201 Cooperative Way
Herndon, Virginia 20171-3025
Attention: Senior Vice President – Member Services
Fax #703-709-6776

6.4 The Borrower represents that it has not been contacted by the Internal Revenue Service or any issuer of bonds, the proceeds of which were loaned to the Borrower regarding any examination of any tax exempt bonds issued for the benefit of the Borrower. To the best of the knowledge of the Borrower, no such obligations of the Borrower are currently under examination by the Internal Revenue Service.

6.5 Any restriction or covenant contained herein need not be observed or may be changed if such nonobservance or change will not result in the loss of any tax credit under Section 54 of the Code for the purpose of federal income taxation to which the Securities is otherwise entitled and the Borrower receives an opinion of Bond Counsel to such effect and the Issuer agrees to such nonobservance or change.

6.6 If any clause, provision or section of this Project Agreement is ruled invalid by any court of competent jurisdiction, the invalidity of such clause, provision or section shall not affect any of the remaining clauses, sections or provisions hereof.

6.7 The terms, provisions, covenants and conditions of this Project Agreement shall bind and inure to the benefit of the respective successors and assigns of the Issuer and the Borrower.

6.8 This Project Agreement shall terminate on the date three (3) years after the CREB Maturity Date.

The undersigned acknowledge that this Project Agreement is given as a basis for an opinion of the law firm of Chapman and Cutler LLP, Chicago, Illinois, and such firm is hereby authorized to rely on this Project Agreement.

DATED as of the day and year first above written.

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

By Gene Manning

Title President

## EXHIBIT A

## DEFINITIONS

*"Affiliated Person"* means any Person that (a) at any time during the six months prior to the Closing Date, (i) has more than five percent of the voting power of the governing body of the Issuer or the Borrower in the aggregate vested in its directors, officers, owners, and employees or (ii) has more than five percent of the voting power of its governing body in the aggregate vested in directors, officers, board members, owners, members or employees of the Issuer or the Borrower or (b) during the one-year period beginning six months prior to the Closing Date, (i) the composition of the governing body of which is modified or established to reflect (directly or indirectly) representation of the interests of the Issuer or the Borrower (or for which an agreement, understanding, or arrangement relating to such a modification or establishment during that one-year period) or (ii) the composition of the governing body of the Issuer or the Borrower is modified or established to reflect (directly or indirectly) representation of the interests of such Person (or for which an agreement, understanding, or arrangement relating to such a modification or establishment during that one-year period).

*"Bond Counsel"* means Chapman and Cutler LLP or any other nationally recognized firm of attorneys experienced in the field of municipal obligations whose opinions are generally accepted by purchasers of municipal obligations.

*"Closing Date"* means the date the Issuer issues the Securities.

*"Code"* means the Internal Revenue Code of 1986, as amended.

*"Constructed Personal Property"* means tangible personal property (or, if acquired pursuant to a single acquisition contract, properties) or Specially Developed Computer Software if (i) a substantial portion of the property or properties is completed more than six (6) months after the earlier of the date construction or rehabilitation commenced and the date the Borrower entered into an acquisition contract; (ii) based on the reasonable expectations of the Borrower, if any, or representations of the person constructing the property, with the exercise of due diligence, completion of construction or rehabilitation (and delivery to the issuer) could not have occurred within that six-month period; and (iii) if the Borrower itself builds or rehabilitates the property, not more than 75 percent of the capitalizable cost is attributable to property acquired by the Borrower (*e.g.*, components, raw materials, and other supplies).

*"Construction Purposes"* means capital expenditures that are allocable to the cost of Real Property or Constructed Personal Property. Except as provided in the next succeeding sentence, construction expenditures do not include expenditures for acquisitions of interests in land or other existing real property. Expenditures are not for the acquisition of an interest in existing real property other than land if the contract between the seller and the Borrower requires the seller to build or install the property (*e.g.*, a *turnkey contract*), but only to the extent that the property has not been built or installed at the time the parties enter into the contract.

*"Control"* means the possession, directly or indirectly through others, of either of the following discretionary and non-ministerial rights or powers over another entity (i) to approve and to remove without cause a controlling portion of the governing body of a Controlled Entity, or (ii) to require the use of funds or assets of a Controlled Entity for any purpose.

*"Controlled Entity"* means any entity or one of a group of entities that is subject to Control by a Controlling Entity or group of Controlling Entities.

*"Controlled Group"* means a group of entities directly or indirectly subject to Control by the same entity or group of entities, including the entity that has the Control of the other entities.

*"Controlling Entity"* means any entity or one of a group of entities directly or indirectly having Control of any entities or group of entities.

*"CREB Maturity Date"* shall have the meaning ascribed to it in the Loan Agreement.

*"Governmental Body"* means any State, territory, possession of the United States, the District of Columbia, Indian tribal government, and any political subdivision thereof.

*"Mortgage"* means the mortgage and security agreement applicable to substantially all of the property of the Borrower.

*"Qualified Borrower"* means (i) a mutual or cooperative electric company described in Sections 501(c)(12) or 1381(a)(2)(C) of the Code, or (ii) a Governmental Body (as defined above).

*"Real Property"* means land and improvements to land, such as buildings or other inherently permanent structures, including interests in real property. For example, real property includes wiring in a building, plumbing systems, central heating or air-conditioning systems, pipes or ducts, elevators, escalators installed in a building, paved parking areas, roads, wharves and docks, bridges, and sewage lines.

*"Related Person"* means any member of the same Controlled Group as the Issuer or the Borrower and any person related to the Issuer or a Borrower within the meaning of Section 144(a)(3) of the Code.

*"Solar Energy Facility"* means a facility using solar energy to produce electricity.

*"Specially Developed Computer Software"* means any programs or routines used to cause a computer to perform a desired task or set of tasks, and the documentation required to describe and maintain those programs, provided that the software is specially developed and is functionally related and subordinate to real property or other constructed personal property.

*"Tangible Personal Property"* means any tangible property other than real property, including interests in tangible personal property. For example, tangible personal property

includes machinery that is not a structural component of a building, subway cars, fire trucks, automobiles, office equipment, testing equipment, and furnishings.

## EXHIBIT B

### UPDATED DESCRIPTION OF THE PROJECT

| | | |
|---|---|---|
| CFC Application | No. 18 Sulphur Springs Valley EC, Inc. | |
| Bond Proceeds Needed for Project: | $560,000 | |
| Bond Allocation Requested and Received: | $560,000 | |
| Name of Project | St. David Unified School District Photovoltaic Solar Automobile Parking Shade Structure | |
| Project Street Addresses | St. David High School<br>70 E. Patton<br>St. David, AZ 85630 | St. David Elementary School<br>70 W. Patton<br>St. David, AZ 85630 |
| Phone Number | (520) 740-4781 | |
| Fax Number | (520) 720-4783 | |
| County | Cochise County | |
| Individual Name to Contact | Jack Blair | |
| Company Name | Sulphur Springs Valley Electric Cooperative, Inc. | |
| Street Address | 311 E. Wilcox Drive | |
| City, State, Zip | Sierra Vista, AZ 85635 | |
| Telephone Number | (520) 515-3470 | |
| Fax | (520) 458-3467 | |

Updated Detailed Description of the Project:

Details of the Project and costs of the components such as land, site prep, equipment, installation, other dedicated facilities such as transmission, and capacity.

## EXHIBIT C

### ORIGINAL DESCRIPTION OF THE PROJECT

### [EXHIBIT A TO ISSUER APPLICATION TO THE IRS]
### CLEAN RENEWABLE ENERGY BONDS APPLICATION
### EXHIBIT A

### SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

### ST. DAVID UNIFIED SCHOOL DISTRICT PHOTOVOLTAIC SOLAR SHADE STRUCTURE

This project will place photovoltaic modules costing $280,000 each, that will produce 23 kW of electricity in the shade structures in the two St. David Unified School District schools. The PV structure will provide electricity to the respective school at no charge. There will also be a cable connection to a computer in the library of each school to show students how the system is working.

This project is the identical project that Navopache Electric Cooperative in Arizona built in 2001 that continues to function with no issues/problems.

SSVEC will operate and maintain the structure. Any excess power produced will flow back to the SSVEC grid.

The PV structures at the schools will significantly reduce their electric bills, which have been disproportionately large due to the per meter monthly surcharges mandated by the Environmental Portfolio Program (EPP), and approved by the Arizona Corporation Commission. All customers pay the EPP fees to SSVEC, which uses them to fund renewable energy projects. Since each school has many meters, they pay the EPP a disproportionately large amount of dollars. The benefit of reduced electric bills will offset their payments into the fund.

The RFP issued by Sulphur Springs Valley Electric Cooperative follows.

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.
A TOUCHSTONE ENERGY® COOPERATIVE

FOR THE ELECTRIC COOPERATIVES IN THE STATE OF ARIZONA

# REQUEST
# A
# PROPOSAL

FOR

## A PHOTOVOLTAIC SYSTEM
## USED FOR
## SHADE STRUCTURES
## FOR
## PUBLIC BUILDINGS

**ISSUED: AUGUST 1, 2005**

Narrative: The Electric Cooperatives in Arizona (Duncan Valley EC, Graham County EC, Mohave EC, Navopache EC, Sulphur Springs Valley EC, Trico EC and Arizona Electric Power Cooperative, Inc.) request a proposal for a modular designed system to supply a 10 kW to 30 kW Photovoltaic (PV) system. System size is relative to the space available for the PV panels on each site. System may consist of multiple free standing modules interconnected to meet the 10 to 30 kW size requirement. Modules to be used as free standing carports or free standing covers for walkways to provide shade. These systems are to be used at public buildings to increase the awareness of PV systems and operations and systems will be sized based on the available space. Base pricing for 10, 15, 20, 25, and 30 kW systems are requested (systems may be rounded to the nearest 5kW increment). The interconnection cost from the PV system to nearest distribution panel will be on a case by case basis due to the variation in sites. This RFP is not all inclusive and contractor may include other specifications or requirements they feel are necessary for a successful venture.

This RFP is released on August 1, 2005 and response must be in a written proposal by October 1, 2005. For questions or clarification of details please contact Albert Gomez (520-515-3473) or David Bane (520-515-3472).

SCOPE OF WORK - THE CONTRACTOR WILL BE RESPONSIBLE FOR THE FOLLOWING:

- Structural design of the supporting PV structures (carport and walkway)
- One line circuit diagrams for approval by local Cooperative's engineering department
- Complete wiring diagrams (to be included in owner manual)
- Isolation transformers as needed to meet the NEC
- Purchase and installation of all components
- Systems test period of 4-6 weeks prior to transfer of title of equipment to site owner
- Any required Permits (Cooperative will reimburse actual cost of permits)

- Meter socket on the A/C output of the inverter(s)
- Interconnection with Customers electric service
- Fencing around inverters and other equipment as required for security and public safety
- Project to meet or exceed SunWatts standards
- Basic training for site owner / site operator
- Operators Manual

THE COOPERATIVE WILL PROVIDE THE FOLLOWING:

- Meter to measure AC output from PV system to owners electric panel
- Written permission from site owner to build the PV Module
- Act as the point of contact with the installation Contractor on behalf of the site owner

STRUCTURAL DESIGN REQUIREMENTS:

The basic structure is to support the PV cells but must be able to work as a carport with all the required clearances. Support should be in a cantilever style to allow easy parking, spacing on vertical supports should be in multiples of 10 feet to be able to match typical parking lot spacing, height should allow the parking of full size passenger vans, and structure does not have to be water proof (providing shade to vehicles is secondary to the production of energy). Sample profile (to show intent not required design) is on page 4. Ideal structure would have the ability to support PV panels that would be effective if the long side of the structure is in a North-South as well as East-West orientation.

PV DESIGN REQUIREMENTS:

- PV panels shall have warranty for a minimum of 15 years to cover rated output (output degradation not to exceed 20% over life of panel)
- All system components will be UL certified
- System will include isolation transformers per section 250-30 of the NEC
- Polyphase inverter with voltage to match customer's system.
- Inverter to match capacity of project
- 15 year manufacturers warranty on Inverter (contractor may use an extended warranty insurance policy to meet 15 year requirement)
- Contractor will warranty repair labor at 100% for first 5 years, 66% of labor for second 5 years, and 33% of labor for remaining 5 years, (limited to warranty repairs)
- Interconnection costs from site of PV system to nearest practical distribution panel will be on a case by case basis, (site selection process will keep this as short as possible)

SUNWATTS REQUIREMENTS:

- One-line drawings subject to approval by local Cooperative's engineering department
- Units to operate in parallel with grid
- Includes protection for out of frequency problems
- Low harmonics

- Inverter must disconnect in the event grid power is lost
- Lockable safety switch located between the inverter and meter socket

TRAINING REQUIREMENTS:

The Contractor will provide sufficient time with the site owner to explain how to disconnect the system, locate inverter, identify all junction boxes between the modules, and identify any system warning lights or displays. Contractor will also provide system manual with basic operating instructions and all the associated warranty information and manufacturer contacts listed.

## EXHIBIT D

## MONTHLY DRAWDOWN SCHEDULE OF AMOUNTS TO BE ADVANCED TO THE BORROWER PURSUANT TO THE LOAN AGREEMENT

| DATE ON WHICH PROCEEDS ARE EXPECTED TO BE EXPENDED | AMOUNTS OF PROCEEDS TO BE EXPENDED |
|---|---|
| August 4, 2008 | $280,000 |
| August 11, 2008 | $280,000 |

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

To

NATIONAL RURAL UTILITIES
COOPERATIVE FINANCE CORPORATION
Issuer

# LOAN AGREEMENT

Dated as of 12/21, 2007

Clean Renewable Energy Bonds
(Cooperative Renewable Energy Projects) Series 2008A
of National Rural Utilities Cooperative Finance Corporation

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## LOAN AGREEMENT

**LOAN AGREEMENT** (this "Agreement") dated as of _____, between SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. ("Borrower"), a corporation organized and existing under the laws of the State of Arizona and NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION ("CFC"), a cooperative association organized and existing under the laws of the District of Columbia.

## RECITALS

**WHEREAS,** the Borrower has applied to CFC for a loan for the purposes set forth in Schedule 1 hereto, and CFC is willing to make such a loan to the Borrower on the terms and conditions stated herein; and

**WHEREAS,** the Borrower has agreed to execute a promissory note to evidence an indebtedness in the aggregate principal amount of the CFC Commitment (as hereinafter defined).

**NOW, THEREFORE,** for and in consideration of the premises and the mutual covenants hereinafter contained, the parties hereto agree and bind themselves as follows:

## ARTICLE I

## DEFINITIONS

**Section 1.01** For purposes of this Agreement, the following capitalized terms shall have the following meanings (such definitions to be equally applicable to the singular and the plural form thereof). Capitalized terms that are not defined herein shall have the meanings as set forth in the Mortgage.

**"Accounting Requirements"** shall mean any system of accounts prescribed by a federal regulatory authority having jurisdiction over the Borrower or, in the absence thereof, the requirements of GAAP applicable to businesses similar to that of the Borrower.

**"Advance"** shall mean each advance of funds by CFC to the Borrower pursuant to the terms and conditions of this Agreement, including the Initial Advance and the Primary Advance.

**"Authorized Officer of the Borrower"** means the Chairman, General Manager or Chief Financial Officer of the Borrower or any other person authorized by the Board of the Borrower so to act or any other person performing a function similar to the function performed by any such officer or authorized person.

**"Average DSC Ratio"** shall mean the average of the Borrower's two highest annual DSC Ratios during the most recent three calendar years.

**"Bond Counsel"** means an attorney at law or a firm of attorneys (designated by CFC and acceptable to the Trustee) of nationally recognized standing in matters pertaining to the tax-exempt nature of interest or tax credits on bonds issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of any state of the United States of America.

**"Business Day"** shall mean any day that both CFC and the depository institution CFC utilizes for funds transfers hereunder are open for business.

**"CFC Commitment"** shall have the meaning as defined in Schedule 1.

**"CFC CREB Rate"** shall mean the interest rate charged by CFC for loans made by CFC from proceeds of the CREBs which rate shall not exceed one hundred and fifty basis points (150/100 of 1%) per annum.

**"Closing Date"** shall mean the date CFC issues the CREBs.

**"Code"** shall mean the Internal Revenue Code of 1986, as supplemented and amended.

**"Completion Certificate"** shall mean the certificate of the Borrower required by Section 5.01.P of this Agreement, substantially in the form of Exhibit C hereto.

**"CREBs"** shall mean the series of Securities issued by CFC to provide financing for the Project.

**"CREB Maturity Date"** shall mean the maturity date of the CREBs, which shall be the December 15th prior to the Maximum CREB Term Anniversary Date.

**"Debt Service Coverage ("DSC") Ratio"** shall mean the ratio determined as follows: for any calendar year add (i) Operating Margins, (ii) Non-Operating Margins--Interest, (iii) Interest Expense, (iv) Depreciation and Amortization Expense, and (v) cash received in respect of generation and transmission and other capital credits, and divide the sum so obtained by the sum of all payments of Principal and Interest Expense required to be made during such calendar year; provided, however, that in the event that any amount of Long-Term Debt has been refinanced during such year, the payments of Principal and Interest Expense required to be made during such year on account of such refinanced amount of Long-Term Debt shall be based (in lieu of actual payments required to be made on such refinanced amount of Long-Term 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 payment of Principal and Interest Expense required to be made during the following year on account of such refinancing debt.

**"Default Rate"** shall mean a rate per annum equal to one hundred and fifty basis points (150/100 of 1%).

**"Depreciation and Amortization Expense"** shall mean an amount constituting the depreciation and amortization of the Borrower computed pursuant to Accounting Requirements.

**"Determination of Tax Credit Ineligibility"** shall mean a determination that a particular series of Securities does not qualify for a tax credit for the owner thereof under Section 54 of the Code, which determination shall be deemed to have been made upon the occurrence of the first to occur of the following:

(a) the date on which CFC determines that there is a significant likelihood that a particular series of Securities may not qualify for a tax credit, if such determination is supported by a written opinion of Bond Counsel to that effect; or

(b) the date on which CFC shall receive notice in writing that the Trustee has been advised by the owner of any Security that a particular series of Securities does not qualify for a tax credit for the owner thereof, based upon a final determination made either by: (A) the Internal Revenue Service in a published or private ruling or technical advice memorandum or (B) any court of competent jurisdiction in the United States of America, as a result of a failure by CFC or any borrower to observe any agreement or representation in the Tax Compliance Agreement or a Loan Agreement or Project Agreement relating to the proceeds of the Securities. Any such determination will not be considered final for this purpose unless the Owner of the Securities involved in the proceeding or action resulting in the determination (i) gives CFC and the Trustee prompt written notice of the commencement thereof and (ii) if CFC agrees to pay all expenses in connection therewith and to indemnify such Owner of the Securities against all liabilities in connection therewith, offers CFC an opportunity to contest the determination, either directly or in the name of the Owner of the Securities, and until conclusion of any review, if sought.

**"Distributions"** shall mean, with respect to the Borrower, any dividend, patronage refund, patronage capital retirement or cash distribution to its members, or consumers (including but not limited to any general cancellation or abatement of charges for electric energy or services furnished by the Borrower). The term "Distribution" shall *not* include (a) a distribution by the Borrower to the estate of a deceased patron, (b) repayment by the Borrower of a membership fee upon termination of a membership, or (c) any rebate to a patron resulting from a cost abatement received by the Borrower, such as a reduction of wholesale power cost previously incurred.

**"Draw Period"** shall have the meaning as described in Schedule 1 hereto.

**"Environmental Laws"** shall mean all laws, rules and regulations promulgated by any Governmental Authority, with which Borrower is required to comply, regarding the use, treatment, discharge, storage, management, handling, manufacture, generation, processing, recycling, distribution, transport, release of or exposure to any Hazardous Material.

**"Equity"** shall mean the aggregate of the Borrower's equities and margins computed pursuant to Accounting Requirements.

**"Event of Default"** shall have the meaning as described in Article VI hereof.

**"Funds Requisition Statement"** shall mean the certificate of the Borrower, in the form set forth as Exhibit A to this Agreement, by which the Borrower will obtain an advance of funds from CFC under the Loan.

**"GAAP"** shall mean generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board.

**"Governmental Authority"** shall mean the government of the United States of America, any other nation or government, any state or other political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

**"Hazardous Material"** shall mean any (a) petroleum or petroleum products, radioactive materials, asbestos-containing materials, polychlorinated biphenyls, lead and radon gas, and (b) any

other substance designated as hazardous or toxic or as a pollutant or contaminant under any Environmental Law.

**"Indenture"** shall mean the Indenture between CFC and U.S. Bank Trust Company National Association, relating to the first issue of Securities, pursuant to which the Securities, including the CREBs are issued, as supplemented and amended.

**"Initial Advance"** shall mean the Advance made by CFC on the Closing Date pursuant to Section 3.02.A hereof to fund a portion of CFC's costs in issuing the CREBs attributable to the CFC Commitment, including, but not limited to, original issue discount, underwriting discount and other costs of issuance, including, without limitation, rating agency costs and legal, underwriting and Trustee expenses.

**"Interest Expense"** shall mean an amount constituting the interest expense with respect to Long-Term Debt of the Borrower computed pursuant to Accounting Requirements. 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 Restricted Rentals paid by the Borrower over 2% of the Borrower's Equity.

**"Lien"** shall mean any statutory or common law consensual or non-consensual mortgage, pledge, security interest, encumbrance, lien, right of set off, claim or charge of any kind, including, without limitation, any conditional sale or other title retention transaction, any lease transaction in the nature thereof and any secured transaction under the Uniform Commercial Code.

**"Loan"** shall mean the loan made by CFC to the Borrower, pursuant to this Agreement and the Note, in an aggregate principal amount not to exceed the CFC Commitment.

**"Loan Capital Term Certificate" or "LCTC"** shall mean a certificate, or book entry form of account, evidencing the Borrower's purchase of equity in CFC.

**"Loan Documents"** shall mean this Agreement, the Note, the Mortgage, the Project Agreement and all other documents or instruments executed, delivered or executed and delivered by the Borrower and evidencing, securing, governing or otherwise pertaining to, the Loan.

**"Long-Term Debt"** shall mean an amount constituting the long-term debt of the Borrower computed pursuant to Accounting Requirements.

**"Maturity Date"** shall mean the Payment Date immediately prior to the CREB Maturity Date permitted for the CREBs under Section 54(e)(2) of the Code as in effect on the Closing Date.

**"Maximum CREB Term Anniversary Date"** shall mean the anniversary of the Closing Date that occurs at the maximum term permitted for the CREBs under Section 54(e)(2) of the Code as in effect on the Closing Date.

**"Mortgage"** shall have the meaning as described in Schedule 1 hereto.

**"Mortgaged Property"** shall have the meaning ascribed to it in the Mortgage.

**"Non-Operating Margins--Interest"** shall mean the amount representing the interest component of non-operating margins of the Borrower computed pursuant to Accounting Requirements.

**"Note"** shall mean the secured promissory note, payable to the order of CFC, executed by the Borrower, dated as of even date herewith, pursuant to this Agreement as identified on Schedule 1 hereto and shall include any substitute note or modification thereto.

**"Obligations"** shall mean any and all liabilities, obligations or indebtedness owing by the Borrower to CFC, of any kind or description, irrespective of whether for the payment of money, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising.

**"Operating Margins"** shall mean the amount of patronage capital and operating margins of the Borrower computed pursuant to Accounting Requirements.

**"Payment Date"** shall mean the first (1st) day of each of March, June and September and December.

**"Payment Notice"** shall mean a notice furnished by CFC to the Borrower that indicates the amount of each payment of interest or interest and principal and the total amount of each payment due.

**"Permitted Encumbrances"** shall have the meaning ascribed to it in the Mortgage.

**"Person"** shall mean natural persons, cooperatives, corporations, limited liability companies, limited partnerships, general partnerships, limited liability partnerships, joint ventures, associations, companies, trusts or other organizations, irrespective of whether they are legal entities, and Governmental Authorities.

**"Primary Advance"** shall mean the Advance made by CFC to the Borrower pursuant to Section 3.02.B hereof two Business Days after the Closing Date to reimburse Borrower for costs of the Project.

**"Principal"** shall mean the amount of principal billed on account of Long-Term Debt of the Borrower computed pursuant to Accounting Requirements.

**"Project"** shall mean the project being financed pursuant to the Loan, as further described in Schedule 1.

**"Project Account"** means an account created pursuant to the Indenture within the Project Fund related to the CREBs.

**"Project Agreement"** shall mean the Project Agreement, dated as of even date herewith, executed by the Borrower with respect to the Project and the CREBs.

**"Project Fund"** means the Project Fund created and identified as such in the Indenture.

**"Restricted Rentals"** shall mean all rentals required to be paid under finance leases and charged to income, exclusive of any amounts paid under any such lease (whether or not designated therein as rental or additional rental) for maintenance or repairs, insurance, taxes, assessments, water rates or similar charges. For the purpose of this definition the term "finance lease" shall mean any lease having a rental term (including the term for which such lease may be renewed or extended at the option of the lessee) in excess of three (3) years and covering property having an initial cost in excess of $250,000 other than automobiles, trucks, trailers, other vehicles (including without

limitation aircraft and ships), office, garage and warehouse space and office equipment (including without limitation computers).

**"Securities"** shall mean one or more series of clean renewable energy bonds issued by CFC under the Indenture.

**"Subsidiary"** as to any Person, shall mean a corporation, partnership, limited partnership, limited liability company or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise qualified, all references to a "Subsidiary" or to "Subsidiaries" in this Agreement shall refer to a Subsidiary or Subsidiaries of the Borrower.

**"Tax Compliance Agreement"** means a tax compliance certificate and agreement of CFC with respect to a series of Securities, as accepted by the Trustee, as amended.

**"Termination Certificate"** shall mean the certificate of the Borrower required by Section 5.01.Q of this Agreement, substantially in the form of Exhibit D hereto.

**"Total Assets"** shall mean an amount constituting the total assets of the Borrower computed pursuant to Accounting Requirements.

**"Total Utility Plant"** shall mean the amount constituting the total utility plant of the Borrower computed pursuant to Accounting Requirements.

**"Trustee"** shall mean U.S. Bank Trust Company National Association and its successors and assigns.

## ARTICLE II

## REPRESENTATIONS AND WARRANTIES

**Section 2.01** The Borrower represents and warrants to CFC that as of the date of this Agreement:

A. **Good Standing.** The Borrower is duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization, is duly qualified to do business and is in good standing in those states in which it is required to be qualified to conduct its business. The Borrower is a member in good standing of CFC.

B. **Subsidiaries and Ownership.** Schedule 1 hereto sets forth a complete and accurate list of the Subsidiaries of the Borrower showing the percentage of the Borrower's ownership of the outstanding stock, membership interests or partnership interests, as applicable, of each Subsidiary.

C. **Authority; Validity.** The Borrower has the power and authority to enter into this Agreement, the Note, the Project Agreement and the Mortgage; to make the borrowing hereunder; to execute and deliver all documents and instruments required hereunder and to incur and perform the obligations provided for herein, in the Note, in the Project Agreement and in the Mortgage, all of which have been duly authorized by all necessary and proper action; and no consent or approval of

any Person, including, as applicable and without limitation, members of the Borrower, which has not been obtained is required as a condition to the validity or enforceability hereof or thereof.

Each of this Agreement, the Note, the Project Agreement and the Mortgage is, and when fully executed and delivered will be, legal, valid and binding upon the Borrower and enforceable against the Borrower in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity.

**D. No Conflicting Agreements.** The execution and delivery of the Loan Documents and performance by the Borrower of the obligations thereunder, and the transactions contemplated hereby or thereby, will not: (i) violate any provision of law, any order, rule or regulation of any court or other agency of government, any award of any arbitrator, the articles of incorporation or by-laws of the Borrower, or any indenture, contract, agreement, mortgage, deed of trust or other instrument to which the Borrower is a party or by which it or any of its property is bound; or (ii) be in conflict with, result in a breach of or constitute (with due notice and/or lapse of time) a default under, any such award, indenture, contract, agreement, mortgage, deed of trust or other instrument, or result in the creation or imposition of any Lien (other than contemplated hereby) upon any of the property or assets of the Borrower.

The Borrower is not in default in any material respect under any agreement or instrument to which it is a party or by which it is bound and no event or condition exists which constitutes a default, or with the giving of notice or lapse of time, or both, would constitute a default under any such agreement or instrument.

**E. Taxes.** The Borrower, and each of its Subsidiaries, has filed or caused to be filed all federal, state and local tax returns which are required to be filed and has paid or caused to be paid all federal, state and local taxes, assessments, and governmental charges and levies thereon, including interest and penalties to the extent that such taxes, assessments, and governmental charges and levies have become due, except for such taxes, assessments, and governmental charges and levies which the Borrower or any Subsidiary is contesting in good faith by appropriate proceedings for which adequate reserves have been set aside.

**F. Licenses and Permits.** The Borrower has duly obtained and now holds all licenses, permits, certifications, approvals and the like necessary to own and operate its property and business that are required by Governmental Authorities and each remains valid and in full force and effect.

**G. Litigation.** There are no outstanding judgments, suits, claims, actions or proceedings pending or, to the knowledge of the Borrower, threatened against or affecting the Borrower, its Subsidiaries or any of their respective properties which, if adversely determined, either individually or collectively, would have a material adverse effect upon the business, operations, prospects, assets, liabilities or financial condition of the Borrower or its Subsidiaries. The Borrower and its Subsidiaries are not, to the Borrower's knowledge, in default or violation with respect to any judgment, order, writ, injunction, decree, rule or regulation of any Governmental Authority which would have a material adverse effect upon the business, operations, prospects, assets, liabilities or financial condition of the Borrower or its Subsidiaries.

**H. Financial Statements.** The balance sheet of the Borrower as at the date identified in Schedule 1 hereto, the statement of operations of the Borrower for the period ending on said date, and the interim financial statements of the Borrower, all heretofore furnished to CFC, are complete and correct. Said balance sheet fairly presents the financial condition of the Borrower as at said date

and said statement of operations fairly reflects its operations for the period ending on said date. The Borrower has no contingent obligations or extraordinary forward or long-term commitments except as specifically stated in said balance sheet or herein. There has been no material adverse change in the financial condition or operations of the Borrower from that set forth in said financial statements except changes disclosed in writing to CFC prior to the date hereof.

I. **Borrower's Legal Status.** Schedule 1 hereto accurately sets forth: (i) the Borrower's exact legal name, (ii) the Borrower's organizational type and jurisdiction of organization, (iii) the Borrower's organizational identification number or accurate statement that the Borrower has none, and (iv) the Borrower's place of business or, if more than one, its chief executive office as well as the Borrower's mailing address if different.

J. **Required Approvals.** Other than the CREBs allocation received from the Internal Revenue Service, no license, consent or approval of any Governmental Authority is required to enable the Borrower to enter into this Agreement, the Project Agreement, the Note and the Mortgage, or to perform any of its Obligations provided for in such documents, including without limitation (and if applicable), that of any state public utilities commission, any state public service commission, and the Federal Energy Regulatory Commission, except as disclosed in Schedule 1 hereto, all of which the Borrower has obtained prior to the date hereof.

K. **Compliance With Laws.** The Borrower and each Subsidiary is in compliance, in all material respects, with all applicable requirements of law and all applicable rules and regulations of each Governmental Authority.

L. **Disclosure.** To the Borrower's knowledge, information and belief, neither this Agreement nor any document, certificate or financial statement furnished to CFC by or on behalf of the Borrower in connection herewith (all such documents, certificates and financial statements, taken as a whole) contains any untrue statement of a material fact or omits to state any material fact necessary in order to make the statements contained herein and therein not misleading.

M. **No Other Liens.** As to property which is presently included in the description of Mortgaged Property, the Borrower has not, without the prior written approval of CFC, executed or authenticated any security agreement or mortgage, or filed or authorized any financing statement to be filed with respect to assets owned by it, other than security agreements, mortgages and financing statements in favor of CFC, except as disclosed in writing to CFC prior to the date hereof or relating to Permitted Encumbrances.

N. **Environmental Matters.** Except as to matters which individually or in the aggregate would not have a material adverse effect upon the business or financial condition of the Borrower or its Subsidiaries, (i) Borrower is in compliance with all Environmental Laws (including, but not limited to, having any required permits and licenses), (ii) there have been no releases (other than releases remediated in compliance with Environmental Laws) from any underground or aboveground storage tanks (or piping associated therewith) that are or were present at the Mortgaged Property, (iii) Borrower has not received written notice or claim of any violation of any Environmental Law, (iv) there is no pending investigation of Borrower in regard to any Environmental Law, and (v) to the best of Borrower's knowledge, there has not been any release or contamination (other than releases or contamination remediated in compliance with Environmental Laws) resulting from the presence of Hazardous Materials on property owned, leased or operated by the Borrower.

O. **Project Agreement.** As set forth in the Project Agreement, the Project constitutes "a qualified project" as defined in Section 54(d)(2)(A) of the Code. As set forth in the Project Agreement,

the Borrower constitutes currently, and will remain through the period that the CREBs remain outstanding, "a Qualified Borrower", meaning a (i) mutual or cooperative electric company described in Sections 501(c)(12) or 1381(a)(2)(C) of the Code, or (ii) a Governmental Body, which is defined as any state, territory possession of the U.S., the District of Columbia, Indian tribal government, and any political subdivision thereof. The statements, information and descriptions contained in the Project Agreement are true, correct and complete, and do not contain any untrue statement or misleading statement of a material fact, and do not omit to state a material fact required to be stated therein or necessary to make the statements, information and descriptions contained therein, in the light of the circumstances under which they were made, not misleading, and the estimates and the assumptions contained in the Project Agreement are reasonable and based on the best information available to the Borrower.

## ARTICLE III

## LOAN

**Section 3.01 Definitions.** For purposes of this Article 3, the following capitalized terms shall have the following meanings:

**"Borrower's Annual Bond Repayment Amount"** shall mean the amount determined by dividing the CFC Commitment by the number of years from the Closing Date to the Maximum CREB Term Anniversary Date, which amount shall be recalculated on the date CFC rescinds any excess moneys pursuant to Section 3.05 or 3.06 hereof.

**"Quarterly Bond Deposit Amount"** shall mean for each Payment Date, the amount determined by subtracting from the Quarterly Bond Repayment Amount the principal amount payable by the Borrower pursuant to Section 3.03.A(ii)(b)(1) on such Payment Date.

**"Quarterly Bond Repayment Amount"** shall mean one-fourth (¼) of the Borrower's Annual Bond Repayment Amount.

**Section 3.02 Advances.** The obligation of the Borrower to repay the Advances shall be evidenced by the Note. The aggregate amount of all Advances made hereunder shall not exceed the CFC Commitment. At the end of the Draw Period, CFC shall have no further obligation to make Advances.

**A. Initial Advance.** Borrower hereby agrees that on the Closing Date, CFC shall automatically, and without action by Borrower, make the Initial Advance. On the Closing Date, CFC shall notify Borrower of the final amount of the Initial Advance and the amount of the CFC Commitment remaining for Borrower to subsequently Advance.

**B. Subsequent Advances.**

(i) The Borrower may submit a request for the Primary Advance to CFC in writing (which may be submitted by facsimile) no later than 12:00 noon local time at CFC's offices in Herndon, Virginia seven Business Days prior to the Closing Date. The Primary Advance may be requested in any amount up to the CFC Commitment. CFC shall make the Primary Advance two Business Days after the Closing Date in the lesser of (i) the aggregate amount of such requested Primary Advance, and (ii) the amount of the CFC Commitment less the amount of the Initial Advance.

(ii) Except as set forth in 3.02.A and 3.02.B(i) hereof, the Borrower shall submit its request for an Advance to CFC in writing (which may be submitted by facsimile) no later than 12:00 noon local time at CFC's offices in Herndon, Virginia at least two (2) Business Days prior to the last Business Day of any calendar month. Borrower may make multiple requests for Advances during any calendar month in any amount so long as the aggregate amount of all Advances requested in such month is in an amount not less than $100,000.00; *provided, however* that at such time as there remains less than $100,000.00 available for Advance hereunder, Borrower may request the entirety of such remaining amount. CFC shall make a single Advance to Borrower on the first Business Day of the calendar month following Borrower's request(s) for an Advance. Such Advance shall be in the aggregate amount of all Advances requested by Borrower in the prior month, *provided however* that at such time as there remains less than $100,000.00 available for Advance hereunder and Borrower requests the entirety of such remaining amount, CFC shall Advance the entirety of such remaining amount.

**Section 3.03 Interest Rate and Payment.** The Note shall be payable and bear interest as follows:

**A. Payments; Maturity; Amortization.**

(i) The Note shall be due and payable on the Maturity Date.

(ii) On each Payment Date, the Borrower shall promptly pay the following:

(a) accrued interest on the principal amount of the Loan outstanding less the amount of the Initial Advance; and

(b) the Quarterly Bond Repayment Amount, consisting of:

(1) the principal amount due on any outstanding Advances, determined on the basis of a quarterly amortization schedule from the date of each Advance; and

(2) the Quarterly Bond Deposit Amount.

(iii) If not sooner paid, any amount due on account of the unpaid principal, interest accrued thereon and fees, if any, shall be due and payable on the Maturity Date.

(iv) Each Advance shall amortize on a level principal payment basis from the date thereof through the Maturity Date.

(v) CFC will furnish to the Borrower a Payment Notice at least ten (10) days before each Payment Date, provided, however, that CFC's failure to send a Payment Notice shall not constitute a waiver by CFC or be deemed to relieve the Borrower of its obligation to make payments as and when due as provided for herein.

(vi) No provision of this Agreement or of any Note shall require the payment, or permit the collection, of interest in excess of the highest rate permitted by applicable law.

Borrower agrees that the records of, and all computations by, CFC (in whatever media they are recorded or maintained) as to the amount of principal, interest, fees and Quarterly Bond Deposit Amount due on the Loan shall be conclusive in the absence of manifest error.

**B. Application of Payments.** Each payment shall be applied to the Loan, first to any fees, costs, expenses or charges other than interest or principal, second to interest accrued, third to the Quarterly Bond Deposit Amount and the balance to principal.

**C. Application of Bond Repayment Deposit.** At such time as the aggregate amount billed by CFC in any calendar year on account of amortized principal under this Agreement exceeds the Borrower's Annual Bond Repayment Amount for such year, CFC shall apply a portion of the Borrower's prior payments of the Quarterly Bond Deposit Amount in the amount of such overage to principal then due. Until such time, Borrower's payments of the Quarterly Bond Deposit Amount shall not reduce the amount of principal outstanding and subject to amortization. Any amount paid by the Borrower under this Agreement on account of the Quarterly Bond Deposit Amount in excess of the principal amount of the fully advanced Loan shall be refunded to the Borrower on the Maturity Date.

**D. Interest Rate Computation.** Each Advance except the Initial Advance shall bear interest at the CFC CREB Rate which shall apply until the Maturity Date. The Initial Advance shall not bear interest. Interest on Advances shall be computed on the basis of a 30-day month and 360-day year.

**Section 3.04. Extraordinary Obligation to Prepay**. Upon a Determination of Tax Credit Ineligibility that subjects the CREBs to an extraordinary mandatory redemption due to a failure of the Borrower to observe any agreement or representation in this Loan Agreement (as more particularly described in paragraph (b) of the defined term "Determination of Tax Credit Ineligibility"), the Borrower shall prepay the Loan, or such part thereof as determined by CFC, at such times and in such amounts as determined by CFC within sixty (60) days of such determination together with a prepayment premium prescribed by CFC pursuant to its policies of general application in effect from time to time.

**Section 3.05. Rescission of Excess Moneys; Fee.** If the Borrower has not drawn down the full amount of the CFC Commitment at (i) the time of filing the Completion Certificate under Section 5.01P. hereof, (ii) the time of filing the Termination Certificate under 5.01Q. hereof, (iii) a Determination of Tax Credit Ineligibility or (iv) the end of the Draw Period, a corresponding rescission of the amount of principal available to be drawn on the Note as calculated by CFC shall automatically be made without further action by the Borrower. CFC shall release the Borrower from its obligations hereunder as to such rescinded portion, provided the Borrower complies with such terms and conditions as CFC may impose for such release including, without limitation, payment of any rescission fee that CFC may from time to time prescribe, pursuant to its policies of general application.

**Section 3.06. Cancellation of Excess Moneys.** If the Borrower has not drawn down the full amount of the CFC Commitment at the time CFC determines that it will cease making Advances hereunder pursuant to Section 7.01 hereof, a corresponding cancellation of the amount of principal available to be drawn on the Note as calculated by CFC shall automatically be made without action by the Borrower.

**Section 3.07. Default Rate.** If Borrower defaults on its obligation to make a payment due hereunder by the applicable Payment Date, and such default continues for thirty days thereafter, then

beginning on the thirty-first day after the Payment Date and for so long as such default continues, Advances shall bear interest at the Default Rate.

**Section 3.08. Patronage Capital; Interest Rate Discounts.** No patronage capital shall be earned, and no interest rate discounts shall apply, to the Loan.

**Section 3.09. Optional Prepayment.** Except for prepayments made pursuant to Section 3.04 hereof, no prepayment of any Advance, in whole or in part, may be made by the Borrower.

## ARTICLE IV

## CONDITIONS OF LENDING

**Section 4.01** The obligation of CFC to make any Advance hereunder is subject to satisfaction of the following conditions in form and substance satisfactory to CFC:

**A. Legal Matters.** All legal matters incident to the consummation of the transactions hereby contemplated shall be satisfactory to counsel for CFC.

**B. Documents.** CFC shall have been furnished with (i) the executed Loan Documents, (ii) certified copies of all such organizational documents and proceedings of the Borrower authorizing the transactions hereby contemplated as CFC shall require, (iii) an opinion of counsel for the Borrower addressing such legal matters as CFC shall reasonably require, and (iv) all other such documents as CFC may reasonably request.

**C. Government Approvals.** The Borrower shall have furnished to CFC true and correct copies of all certificates, authorizations, consents, permits and licenses from Governmental Authorities necessary for the execution or delivery of the Loan Documents or performance by the Borrower of the obligations thereunder.

**D. Representations and Warranties.** The representations and warranties contained in Article II shall be true on the date of the making of each Advance hereunder with the same effect as though such representations and warranties had been made on such date; no Event of Default and no event which, with the lapse of time or the notice and lapse of time would become such an Event of Default, shall have occurred and be continuing or will have occurred after giving effect to each Advance on the books of the Borrower; there shall have occurred no material adverse change in the business or condition, financial or otherwise, of the Borrower; and nothing shall have occurred which in the opinion of CFC materially and adversely affects the Borrower's ability to perform its obligations hereunder.

**E. Mortgage Recordation.** The Mortgage (and any amendments, supplements or restatements as CFC may require from time to time) shall have been duly filed, recorded or indexed in all jurisdictions necessary (and in any other jurisdiction that CFC shall have reasonably requested) to provide CFC a lien, subject to Permitted Encumbrances, on all of the Borrower's real property, all in accordance with applicable law, and the Borrower shall have paid all applicable taxes, recording and filing fees and caused satisfactory evidence thereof to be furnished to CFC.

**F. UCC Filings.** Uniform Commercial Code financing statements (and any continuation statements and other amendments thereto that CFC shall require from time to time) shall have been duly filed, recorded or indexed in all jurisdictions necessary (and in any other jurisdiction that CFC

shall have reasonably requested) to provide CFC a perfected security interest, subject to Permitted Encumbrances, in the Mortgaged Property which may be perfected by the filing of a financing statement, all in accordance with applicable law, and the Borrower shall have paid all applicable taxes, recording and filing fees and caused satisfactory evidence thereof to be furnished to CFC.

**G. Requisitions.** The Borrower will requisition each Advance by submitting its written requisition to CFC in the form attached as Exhibit A hereto. Requisitions for Advances shall be made only for the purposes set forth in Schedule 1 hereto.

**H. Other Information.** The Borrower shall have furnished such other information as CFC may reasonably require, including but not limited to (i) information regarding the specific purpose for an Advance and the use thereof, (ii) feasibility studies, cash flow projections, financial analyses and pro forma financial statements sufficient to demonstrate to CFC's reasonable satisfaction that after giving effect to the Advance requested, the Borrower shall continue to achieve the DSC ratio set forth in Section 5.01.A herein, to meet all of its debt service obligations, and otherwise to perform and to comply with all other covenants and conditions set forth in this Agreement, and (iii) any other information as CFC may reasonably request. CFC's obligation to make any Advance hereunder is conditioned upon prior receipt and approval of the Borrower's written requisition and other information and documentation, if any, as CFC may have requested pursuant to this paragraph.

**I. Issuance of Bonds.** CFC shall have issued CREBs in an amount not less than the CFC Commitment.

**J. CREB Allocation.** CFC shall have received an allocation in the amount of the CFC Commitment from the U.S. Department of Treasury for the Borrower's Project under its Securities program.

**K. Tax Credit Ineligibility.** There shall have occurred no Determination of Tax Credit Ineligibility with regard to the Borrower or the Project.

**L. Bring Down Certificate.** Two (2) Business Days prior to the Closing Date, the Borrower shall furnish CFC with a certificate of an Authorized Officer of the Borrower in the form of Exhibit B hereto, certifying that all of the representations and warranties set forth in Article II hereof are true on the Closing Date.

## ARTICLE V

## COVENANTS

**Section 5.01 Affirmative Covenants.** The Borrower covenants and agrees with CFC that until payment in full of the Note and performance of all obligations of the Borrower hereunder:

**A. Financial Ratios; Design of Rates.** The Borrower shall achieve an Average DSC Ratio of not less than 1.35. The Borrower shall not decrease its rates for electric service if it has failed to achieve a DSC Ratio of 1.35 for the calendar year prior to such reduction subject only to an order from a Governmental Authority properly exercising jurisdiction over the Borrower.

**B. Loan Proceeds.** The Borrower shall use the proceeds of this Loan solely for the purposes identified on Schedule 1 hereto.

**C. Notice.** The Borrower shall promptly notify CFC in writing of:

(i) any material adverse change in the business, operations, prospects, assets, liabilities or financial condition of the Borrower;

(ii) the institution or threat of any litigation or administrative proceeding of any nature involving the Borrower which could materially affect the business, operations, prospects, assets, liabilities or financial condition of the Borrower;

(iii) the occurrence of an Event of Default hereunder, or any event that, with the giving of notice or lapse of time, or both, would constitute an Event of Default.

**D. Default Notices.** Upon receipt of any notices with respect to a default by the Borrower under the terms of any evidence of any indebtedness with parties other than CFC or of any loan agreement, mortgage or other agreement relating thereto, the Borrower shall deliver copies of such notice to CFC.

**E. Annual Certificates.**

(i) Within one hundred twenty (120) days after the close of each calendar year, commencing with the year in which the initial Advance hereunder shall have been made, the Borrower will deliver to CFC a written statement, in form and substance satisfactory to CFC, signed by the Borrower's General Manager or Chief Executive Officer, stating that during such year, and that to the best of said person's knowledge, the Borrower has fulfilled all of its obligations under this Agreement, the Project Agreement, the Note, and the Mortgage throughout such year or, if there has been a default in the fulfillment of any such obligations, specifying each such default known to said person and the nature and status thereof.

(ii) The Borrower shall deliver to CFC within one hundred twenty (120) days of CFC's written request, which shall be no more frequently than once every year, a certification, in form and substance satisfactory to CFC, regarding the condition of the Mortgaged Property prepared by a professional engineer satisfactory to CFC. The Borrower shall also deliver to CFC such other information as CFC may reasonably request from time to time.

**F. Loan Capital Term Certificate Purchase.** The Borrower will purchase LCTCs, if required, in an amount calculated pursuant to CFC's policies of general application and shall pay for such LCTCs as required thereby. CFC's policies with respect to such LCTCs are set forth in Schedule 1.

**G. Financial Books; Financial Reports; Right of Inspection.** The Borrower will at all times keep, and safely preserve, proper books, records and accounts in which full and true entries will be made of all of the dealings, business and affairs of the Borrower, in accordance with Accounting Requirements. When requested by CFC, the Borrower will prepare and furnish CFC from time to time, periodic financial and statistical reports on its condition and operations. All of such reports shall be in such form and include such information as may be specified by CFC. Within one hundred twenty (120) days of the end of each calendar year during the term hereof, the Borrower shall furnish to CFC a full and complete report of its financial condition and statement of its operations as of the end of such calendar year, in form and substance satisfactory to CFC. In addition, within one hundred twenty (120) days of the end of each the Borrower's fiscal years during the term hereof, the Borrower shall furnish to CFC a full and complete consolidated and consolidating report of its financial condition and statement of its operations as of the end of such fiscal year,

audited and certified by independent certified public accountants nationally recognized or otherwise satisfactory to CFC and accompanied by a report of such audit in form and substance satisfactory to CFC, including without limitation a consolidated and consolidating balance sheet and the related consolidated and consolidating statements of income and cash flow. CFC, through its representatives, shall at all times during reasonable business hours and upon prior notice have access to, and the right to inspect and make copies of, any or all books, records and accounts, and any or all invoices, contracts, leases, payrolls, canceled checks, statements and other documents and papers of every kind belonging to or in the possession of the Borrower or in anyway pertaining to its property or business.

H. **Notice of Additional Secured Debt.** The Borrower will notify CFC promptly in writing if it incurs any additional secured indebtedness other than indebtedness to CFC or indebtedness otherwise provided for in the Mortgage.

I. **Funds Requisition.** The Borrower agrees (i) that CFC may rely conclusively upon the written instructions submitted to CFC in the Borrower's written request for an Advance hereunder, (ii) that such instructions shall constitute a covenant under this Agreement to repay the Advance in accordance with such instructions, the applicable Note, the Mortgage, the Project Agreement and this Agreement, and (iii) to request Advances only for the purposes set forth in Schedule 1 hereto.

J. **Compliance With Laws.** The Borrower and each Subsidiary shall remain in compliance, in all material respects, with all applicable requirements of law and applicable rules and regulations of each Governmental Authority.

K. **Taxes.** The Borrower shall pay, or cause to be paid all taxes, assessments or governmental charges lawfully levied or imposed on or against it and its properties prior to the time they become delinquent, except for any taxes, assessments or charges that are being contested in good faith and with respect to which adequate reserves as determined in good faith by the Borrower have been established and are being maintained.

L. **Further Assurances.** The Borrower shall execute any and all further documents, financing statements, agreements and instruments, and take all such further actions (including the filing and recording of financing statements, fixture filings, mortgages, deeds of trust and other documents), which may be required under any applicable law, or which CFC may reasonably request, to effectuate the transactions contemplated by the Loan Documents or to grant, preserve, protect or perfect the Liens created or intended to be created thereby. The Borrower also agrees to provide to CFC, from time to time upon request, evidence reasonably satisfactory to CFC as to the perfection and priority of the Liens created or intended to be created by the Loan Documents.

M. **Environmental Covenants.** Borrower shall:

(i) at its own cost, comply in all material respects with all applicable Environmental Laws, including, but not limited to, any required remediation; and

(ii) if it receives any written communication alleging Borrower's violation of any Environmental Law, provide CFC with a copy thereof within ten (10) Business Days after receipt, and promptly take appropriate action to remedy, cure, defend, or otherwise affirmatively respond to the matter.

N. **Limitations on Loans, Investments and Other Obligations.** The aggregate amount of all purchases, investments, loans, guarantees, commitments and other obligations described in

Section 5.02.D(i) of this Agreement shall at all times be less than fifteen percent (15%) of Total Utility Plant or fifty percent (50%) of Equity, whichever is greater.

**O. Tax Status of the CREBs.** The Borrower shall utilize the Project or cause it to be utilized as provided in the Project Agreement until the CREB Maturity Date. No use will be made of the proceeds of the CREBs other than as set forth herein and in the Project Agreement and no changes will be made in the Project or in the operation or beneficial use thereof (including, without limiting the generality of the foregoing, the use of the Project by the Borrower or any related person) without an opinion of Bond Counsel that such a use or change will not adversely affect the eligibility of the CREBs to qualify for a tax credit for the owner thereof, for federal income tax purposes. The Borrower agrees and warrants that it will not take or authorize or permit any action to be taken and has not taken or authorized or permitted any action to be taken and will not fail to take any action to comply with the Project Agreement which adversely affects the eligibility of the CREBs to qualify for a tax credit for the owner thereof, for federal income tax purposes. This agreement and warranty shall survive the termination of this Agreement.

**P. Completion Certificate.** The Borrower shall submit to CFC within 30 days after the completion of the Project, a Completion Certificate signed by an Authorized Officer of the Borrower.

**Q. Termination Certificate.** If the Borrower determines that the Project will not be completed as described in Section 5.01.P above, then the Borrower shall submit to CFC a Termination Certificate, within 30 days of a determination that:

(i) no further acquisition, construction or installation will occur with respect to the Project; and

(ii) the Borrower does not intend to make any further Advances.

**R. Other Information.** The Borrower shall furnish such other information as CFC may reasonably require relating to the Project.

**Section 5.02 Negative Covenants.** The Borrower covenants and agrees with CFC that until payment in full of the Note and performance of all obligations of the Borrower hereunder, the Borrower will not, directly or indirectly, without CFC's prior written consent:

**A. Limitations on Mergers.** Consolidate with, merge, or sell all or substantially all of its business or assets, or enter into an agreement for such consolidation, merger or sale, to another entity or person unless such action is either approved, as is evidenced by the prior written consent of CFC, or the purchaser, successor or resulting corporation is or becomes a member in good standing of CFC and assumes the due and punctual payment of the Note and the due and punctual performance of the covenants contained in the Mortgage and this Agreement.

**B. Limitations on Sale, Lease or Transfer of Capital Assets; Application of Proceeds.** Sell, lease or transfer (or enter into an agreement to sell, lease or transfer) any capital asset, except in accordance with this Section 5.02.B. If no Event of Default (and no event which with notice or lapse of time and notice would become an Event of Default) shall have occurred and be continuing, the Borrower may, without the prior written consent of CFC, sell, lease or transfer (or enter into an agreement to sell, lease or transfer) any capital asset in exchange for fair market value consideration paid to the Borrower if the value of such capital asset is less than five percent (5%) of Total Utility Plant and the aggregate value of capital assets sold, leased or transferred in any 12-month period is less than ten percent (10%) of Total Utility Plant.

**C. Limitation on Dividends, Patronage Refunds and Other Distributions.**

(i) Make Distributions in any calendar year if, after giving effect to the Distribution, the total Equity of the Borrower will be less than twenty percent (20%) of its Total Assets.

(ii) If, after giving effect to the Distribution, the total Equity of the Borrower will be less than twenty percent (20%) of its Total Assets, then the Borrower may nevertheless make Distributions of up to thirty percent (30%) of its total margins for the preceding calendar year.

(iii) Notwithstanding anything to the contrary in subparagraphs (i) and (ii) above, the Borrower shall not make any Distribution without the prior written consent of CFC if an Event of Default under this Agreement has occurred and is continuing.

**D. Limitations on Loans, Investments and Other Obligations.**

(i) (a) Purchase, or make any commitment to purchase, any stock, bonds, notes, debentures, or other securities or obligations of or beneficial interests in, (b) make, or enter into a commitment to make, any other investment, monetary or otherwise, in, (c) make, or enter into a commitment to make, any loan to, or (d) guarantee, assume, or otherwise become liable for, or enter into a commitment to guarantee, assume, or otherwise become liable for, any obligation of any Person if, after giving effect to such purchase, investment, loan, guarantee or commitment, the aggregate amount thereof would exceed the greater of fifteen percent (15%) of Total Utility Plant or fifty percent (50%) of Equity.

(ii) The following shall not be included in the limitation of purchases, investments, loans and guarantees in (i) above: (a) bonds, notes, debentures, stock, or other securities or obligations issued by or guaranteed by the United States or any agency or instrumentality thereof; (b) bonds, notes, debentures, stock, commercial paper, subordinated capital certificates, or any other security or obligation issued by CFC or by institutions whose senior unsecured debt obligations are rated by at least two nationally recognized rating organizations in either of their two highest categories; (c) investments incidental to loans made by CFC; (d) any deposit that is fully insured by the United States; (e) loans and grants made by any Governmental Authority to the Borrower under any rural economic development program, but only to the extent that such loans and grants are non-recourse to the Borrower; and (f) unretired patronage capital allocated to the Borrower by CFC, a cooperative from which the Borrower purchases electric power, or a statewide cooperative association of which Borrower is a member.

(iii) In no event may the Borrower take any action pursuant to subsection (i) if an Event of Default under this Agreement has occurred and is continuing,

**E. Organizational Change.** Change its type of organization or other legal structure, except as permitted by Section 5.02.A. hereof, in which case the Borrower shall provide at least 30 days prior written notice to CFC together with all documentation reflecting such change as CFC may reasonably require.

**F. Notice of Change in Borrower Information.** Change its (i) state of incorporation, (ii) legal name, (iii) mailing address, or (iv) organizational identification number, if it has one, unless the Borrower provides written notice to CFC at least thirty (30) days prior to the effective date of any such change together with all documentation reflecting any such change as CFC may reasonably require.

## ARTICLE VI

## EVENTS OF DEFAULT

**Section 6.01** The following shall be "Events of Default" under this Agreement:

**A. Representations and Warranties.** Any representation or warranty made by the Borrower herein, or in any of the other Loan Documents, or in any certificate or financial statement furnished to CFC hereunder or under any of the other Loan Documents shall prove to be false or misleading in any material respect.

**B. Payment.** The Borrower shall fail to pay (whether upon stated maturity, by acceleration, or otherwise) any principal, interest, premium (if any) or other amount payable under the Note and the Loan Documents within five (5) Business Days after the due date thereof.

**C. Other Covenants.**

**(i) No Grace Period.** Failure of the Borrower to observe or perform any covenant or agreement contained in the Project Agreement or in Sections 5.01.A, 5.01.B, 5.01.D, 5.01.E, 5.01.G, 5.01.I, 5.01.N, 5.01.O and 5.02 of this Agreement.

**(ii) Thirty Day Grace Period.** Failure of the Borrower to observe or perform any other covenant or agreement contained in this Agreement or any of the other Loan Documents, which shall remain unremedied for thirty (30) calendar days after written notice thereof shall have been given to the Borrower by CFC.

**D. Legal Existence, Permits and Licenses.** The Borrower shall forfeit or otherwise be deprived of (i) its authority to conduct business in the jurisdiction in which it is organized or in any other jurisdiction where such authority is required in order for the Borrower to conduct its business in such jurisdiction or (ii) permits, easements, consents or licenses required to carry on any material portion of its business.

**E. Other CFC Obligations.** The Borrower shall be in breach or default of any Obligation, which breach or default continues uncured beyond the expiration of any applicable grace period.

**F. Other Obligations.** The Borrower shall (i) fail to make any payment of any principal, premium or any other amount due or interest on any indebtedness with parties other than CFC which shall remain unpaid beyond the expiration of any applicable grace period, or (ii) be in breach or default with respect to any other term of any evidence of any other indebtedness with parties other than CFC or of any loan agreement, mortgage or other agreement relating thereto which breach or default continues uncured beyond the expiration of any applicable grace period, if the effect of such failure, default or breach is to cause the holder or holders of that indebtedness to cause that indebtedness to become or be declared due prior to its stated maturity (upon the giving or receiving of notice, lapse of time, both or otherwise).

**G. Involuntary Bankruptcy.** An involuntary case or other proceeding shall be commenced against the Borrower seeking liquidation, reorganization or other relief with respect to it or its debts under bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property and such involuntary case or other proceeding shall continue without dismissal or

stay for a period of sixty (60) days; or an order for relief shall be entered against the Borrower under the federal bankruptcy laws or applicable state law as now or hereafter in effect.

**H. Insolvency.** The Borrower shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall admit in writing its inability to, or be generally unable to, pay its debts as they become due, or shall take any action to authorize any of the foregoing.

**I. Dissolution or Liquidation.** Other than as provided in subsection H. above, the dissolution or liquidation of the Borrower, or failure by the Borrower promptly to forestall or remove any execution, garnishment or attachment of such consequence as will impair its ability to continue its business or fulfill its obligations and such execution, garnishment or attachment shall not be vacated within sixty (60) days. The term "dissolution or liquidation of the Borrower", as used in this subsection, shall not be construed to include the cessation of the corporate existence of the Borrower resulting either from a merger or consolidation of the Borrower into or with another corporation following a transfer of all or substantially all its assets as an entirety, under the conditions set forth in Section 5.02.A.

**J. Material Adverse Change.** Any material adverse change in the business or condition, financial or otherwise, of the Borrower.

**K. Monetary Judgment.** The Borrower shall suffer any money judgment not covered by insurance, writ or warrant of attachment or similar process involving an amount in excess of $100,000 and shall not discharge, vacate, bond or stay the same within a period of sixty (60) days.

**L. Nonmonetary Judgment.** One or more nonmonetary judgments or orders (including, without limitation, injunctions, writs or warrants of attachment, garnishment, execution, distraint, replevin or similar process) shall be rendered against the Borrower that, either individually or in the aggregate, could reasonably be expected to have a material adverse effect upon the business, operations, prospects, assets, liabilities or financial condition of the Borrower.

## ARTICLE VII

## REMEDIES

**Section 7.01** If any of the Events of Default listed in Section 6 hereof shall occur after the date of this Agreement and shall not have been remedied within the applicable grace periods specified therein, then CFC may:

(i) Cease making Advances hereunder;

(ii) Declare all unpaid principal outstanding on the Note, all accrued and unpaid interest thereon, and all other Obligations to be immediately due and payable and the same shall thereupon become immediately due and payable without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived;

(iii) Exercise rights of setoff or recoupment and apply any and all amounts held, or hereby held, by CFC or owed to the Borrower or for the credit or account of the Borrower against any and all of the Obligations of the Borrower now or hereafter existing hereunder or under the Note, including, but not limited to, patronage capital allocations and retirements, money due to Borrower from equity certificates purchased from CFC, and any membership or other fees that would otherwise be returned to Borrower but excluding any LCTCs purchased by the Borrower pursuant to this Agreement. The rights of CFC under this section are in addition to any other rights and remedies (including other rights of setoff or recoupment) which CFC may have. The Borrower waives all rights of setoff, deduction, recoupment or counterclaim;

(iv) Pursue all rights and remedies available to CFC that are contemplated by the Mortgage and the other Loan Documents in the manner, upon the conditions, and with the effect provided in the Mortgage and the other Loan Documents, including, but not limited to, a suit for specific performance, injunctive relief or damages;

(v) Pursue any other rights and remedies available to CFC at law or in equity.

Nothing herein shall limit the right of CFC to pursue all rights and remedies available to a creditor following the occurrence of an Event of Default. Each right, power and remedy of CFC shall be cumulative and concurrent, and recourse to one or more rights or remedies shall not constitute a waiver of any other right, power or remedy.

## ARTICLE VIII

## MISCELLANEOUS

**Section 8.01 Notices.** All notices, requests and other communications provided for herein including, without limitation, any modifications of, or waivers, requests or consents under, this Agreement shall be given or made in writing (including, without limitation, by telecopy) and delivered to the intended recipient at the "Address for Notices" specified below; or, as to any party, at such other address as shall be designated by such party in a notice to each other party. All such communications shall be deemed to have been duly given (i) when personally delivered including, without limitation, by overnight mail or courier service, (ii) in the case of notice by United States mail, certified or registered, postage prepaid, return receipt requested, upon receipt thereof, or (iii) in the case of notice by telecopy, upon transmission thereof, provided such transmission is promptly confirmed by either of the methods set forth in clauses (i) or (ii) above in each case given or addressed as provided for herein. The Address for Notices of each of the respective parties is as follows:

National Rural Utilities Cooperative Finance Corporation
2201 Cooperative Way
Herndon, Virginia 20171-3025
Attention: Senior Vice President – Member Services
Fax # 703-709-6776

The Borrower:

The address set forth in
Schedule 1 hereto

**Section 8.02 Expenses.** Borrower shall reimburse CFC for any reasonable costs and out-of-pocket expenses paid or incurred by CFC (including, without limitation, reasonable fees and expenses of outside attorneys, paralegals and consultants) for all actions CFC takes, (a) to enforce the payment of any Obligation, to effect collection of any Mortgaged Property, or in preparation for such enforcement or collection, (b) to institute, maintain, preserve, enforce and foreclose on CFC's security interest in or Lien on any of the Mortgaged Property, whether through judicial proceedings or otherwise, (c) to restructure any of the Obligations, (d) to review, approve or grant any consents or waivers hereunder, (e) to prepare, negotiate, execute, deliver, review, amend or modify this Agreement, (f) to prepare, negotiate, execute, deliver, review, amend or modify any other agreements, documents and instruments deemed necessary or appropriate by CFC in connection with any of the foregoing, and (g) to obtain any opinions required to be furnished upon a Determination of Tax Credit Ineligibility and an extraordinary prepayment as set forth in Section 3.04 hereof or a rescission of excess money as set forth in Section 3.05 or a cancellation of excess moneys as set forth in Section 3.06.

The amount of all such expenses identified in this Section 8.02 shall be secured by the Mortgage and shall be payable upon demand, and if not paid, shall accrue interest at the Default Rate.

**Section 8.03 Late Payments.** If payment of any amount due hereunder is not received at CFC's office in Herndon, Virginia, or such other location as CFC may designate to the Borrower within five (5) Business Days after the due date thereof, the Borrower will pay to CFC, in addition to all other amounts due under the terms of the Loan Documents, any late payment charge as may be fixed by CFC from time to time pursuant to its policies of general application as in effect from time to time.

**Section 8.04. Non-Business Day Payments.** If any payment to be made by the Borrower hereunder shall become due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall be included in computing any interest in respect of such payment.

**Section 8.05 Filing Fees.** To the extent permitted by law, the Borrower agrees to pay all expenses of CFC (including the reasonable fees and expenses of its counsel) in connection with the filing, registration, recordation or perfection of the Mortgage and any other security instruments as may be required by CFC in connection with this Agreement, including, without limitation, all documentary stamps, recordation and transfer taxes and other costs and taxes incident to execution, filing, registration or recordation of any document or instrument in connection herewith. The Borrower agrees to save harmless and indemnify CFC from and against any liability resulting from the failure to pay any required documentary stamps, recordation and transfer taxes, recording costs, or any other expenses incurred by CFC in connection with this Agreement. The provisions of this subsection shall survive the execution and delivery of this Agreement and the payment of all other amounts due under the Loan Documents.

**Section 8.06 Waiver; Modification.** No failure on the part of CFC to exercise, and no delay in exercising, any right or power hereunder or under the other Loan Documents shall operate as a waiver thereof, nor shall any single or partial exercise by CFC of any right hereunder, or any abandonment or discontinuance of steps to enforce such right or power, preclude any other or further exercise thereof or the exercise of any other right or power. No modification or waiver of any provision of this Agreement, the Note or the other Loan Documents and no consent to any departure by the Borrower therefrom shall in any event be effective unless the same shall be in writing by the

party granting such modification, waiver or consent, and then such modification, waiver or consent shall be effective only in the specific instance and for the purpose for which given.

**SECTION 8.07 GOVERNING LAW; SUBMISSION TO JURISDICTION; WAIVER OF JURY TRIAL.**

(A) THE PERFORMANCE AND CONSTRUCTION OF THIS AGREEMENT AND THE NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE COMMONWEALTH OF VIRGINIA.

(B) THE BORROWER HEREBY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF THE UNITED STATES COURTS LOCATED IN VIRGINIA AND OF ANY STATE COURT SO LOCATED FOR PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. THE BORROWER IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTIONS THAT IT MAY NOW OR HEREAFTER HAVE TO THE ESTABLISHING OF THE VENUE OF ANY SUCH PROCEEDINGS BROUGHT IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

(C) THE BORROWER AND CFC EACH HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

**SECTION 8.08 INDEMNIFICATION.** THE BORROWER HEREBY INDEMNIFIES AND AGREES TO HOLD HARMLESS, AND DEFEND CFC AND ITS MEMBERS, DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, ATTORNEYS AND REPRESENTATIVES (EACH AN "INDEMNITEE") FOR, FROM, AND AGAINST ALL CLAIMS, DAMAGES, LOSSES, LIABILITIES, COSTS, AND EXPENSES (INCLUDING, WITHOUT LIMITATION, COSTS AND EXPENSES OF LITIGATION AND REASONABLE ATTORNEYS' FEES) ARISING FROM ANY CLAIM OR DEMAND IN RESPECT OF THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS, THE MORTGAGED PROPERTY, OR THE TRANSACTIONS DESCRIBED IN THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS AND ARISING AT ANY TIME, WHETHER BEFORE OR AFTER PAYMENT AND PERFORMANCE OF ALL OBLIGATIONS UNDER THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS IN FULL, EXCEPTING ANY SUCH MATTERS ARISING SOLELY FROM THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF CFC OR ANY INDEMNITEE INCLUDING WITHOUT LIMITATION ANY DETERMINATION MADE OR OTHER ACTION TAKEN BY CFC PURSUANT TO SECTIONS 3.04, 3.05 and 3.06 OF THIS AGREEMENT. NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN SECTION 8.10 HEREOF, THE OBLIGATIONS IMPOSED UPON THE BORROWER BY THIS SECTION SHALL SURVIVE THE REPAYMENT OF THE NOTE, THE TERMINATION OF THIS AGREEMENT AND THE TERMINATION OR RELEASE OF THE LIEN OF THE MORTGAGE.

**Section 8.09 Complete Agreement.** This Agreement, together with the schedules to this Agreement, the Note and the other Loan Documents, and the other agreements and matters referred to herein or by their terms referring hereto, is intended by the parties as a final expression of their agreement and is intended as a complete statement of the terms and conditions of their agreement. In the event of any conflict in the terms and provisions of this Agreement and any other Loan Documents, the terms and provisions of this Agreement shall control.

**Section 8.10 Survival; Successors and Assigns.** All covenants, agreements, representations and warranties of the Borrower which are contained in this Agreement shall survive the execution and delivery to CFC of the Loan Documents and the making of the Loan hereunder and shall continue in full force and effect until all of the obligations under the Loan Documents have been paid in full. All covenants, agreements, representations and warranties of the Borrower which are contained in this Agreement shall inure to the benefit of the successors and assigns of CFC. The Borrower shall not have the right to assign its rights or obligations under this Agreement without the prior written consent of CFC, except as provided in Section 5.02.A hereof.

**Section 8.11 Use of Terms.** The use of the singular herein shall also refer to the plural, and vice versa.

**Section 8.12 Headings.** The headings and sub-headings contained in this Agreement are intended to be used for convenience only and do not constitute part of this Agreement.

**Section 8.13 Severability.** If any term, provision or condition, or any part thereof, of this Agreement, the Note or the other Loan Documents shall for any reason be found or held invalid or unenforceable by any governmental agency or court of competent jurisdiction, such invalidity or unenforceability shall not affect the remainder of such term, provision or condition nor any other term, provision or condition, and this Agreement, the Note and the other Loan Documents shall survive and be construed as if such invalid or unenforceable term, provision or condition had not been contained therein.

**Section 8.14 Binding Effect.** This Agreement shall become effective when it shall have been executed by both the Borrower and CFC and thereafter shall be binding upon and inure to the benefit of the Borrower and CFC and their respective successors and assigns.

**Section 8.15 Counterparts.** This Agreement may be executed in one or more counterparts, each of which will be deemed an original and all of which together will constitute one and the same document. Signature pages may be detached from the counterparts and attached to a single copy of this Agreement to physically form one document.

**Section 8.16 Disclosure.** This Agreement and any other Loan Document may be shared by CFC with such Persons as shall be required in order to facilitate the issuance of the CREBs, including, but not limited to, its attorneys, underwriters and investors in the CREBs.

**Section 8.17 Schedule 1.** Schedule 1 attached hereto is an integral part of this Agreement.

**IN WITNESS WHEREOF,** the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

SULPHUR SPRINGS VALLEY
ELECTRIC COOPERATIVE, INC.

(SEAL)

By: Gene Manning

Title: President

Attest: _____
~~Secretary~~

CREDEN W. HUBER
CHIEF EXECUTIVE OFFICER

NATIONAL RURAL UTILITIES
COOPERATIVE FINANCE CORPORATION

(SEAL)

By: Marianne Dusold
Assistant Secretary-Treasurer

**MARIANNE L DUSOLD**

Attest: _____
Assistant Secretary-Treasurer

**CRAIG COLANTONI**

## SCHEDULE 1

1. The purpose of this loan is to finance (i) the reimbursement of the cost of the Project of the Borrower, including any reasonable costs and expenses incurred by the Borrower in connection with financing the Project, as described and permitted by the terms of the Project Agreement and (ii) a portion of CFC's costs in issuing the CREBs as set forth in Section 3.02.A.

2. The Project of the Borrower being financed by the Loan (funded by proceeds of the CREBs) constitutes the following clean renewable energy facilities:

   St. David Unified School District Photovoltaic Solar Automobile Parking Shade Structure

   This project will place photovoltaic modules costing $280,000 each, that will produce 23 kW of electricity in the shade structures in the two St. David Unified School District schools. The PV structure will provide electricity to the respective school with excess power flowing to the Borrower's system.

3. Subject to the terms of this Agreement, CFC has agreed to loan to the Borrower from proceeds of the CREBs, an amount not to exceed $560,000.00 (the "CFC Commitment").

4. Draw Period shall mean the period beginning on the Closing Date and ending on the date that is five (5) years thereafter.

5. The Borrower shall not purchase the LCTCs or any portion thereof with funds from the Loan. The Borrower shall use its own funds or funds borrowed under another credit facility to purchase such LCTCs, subject to the CFC policies regarding LCTCs set forth in the following paragraph.

   **CFC Policies Regarding LCTCs:** (i) Any solvent Member of CFC with an outstanding LCTC purchased in connection with a loan from the proceeds of Securities may borrow the outstanding amount of the LCTC from CFC without a further credit review, for a term equal to or shorter than the maturity of the LCTC at a rate equal to the comparable rate charged by CFC for similarly classified loans; and (ii) any Member of CFC with an outstanding LCTC purchased in connection with a loan from the proceeds of Securities may sell such LCTC to another Member of CFC for consideration.

6. The Mortgage shall mean the Restated Mortgage and Security Agreement, dated as of December 6, 2007, between the Borrower and CFC, as it may have been supplemented, amended, consolidated, or restated from time to time.

7. The Note executed pursuant hereto is as follows:

| LOAN NUMBER | AMOUNT |
|---|---|
| AZ014-A-9048-CB001 | $560,000.00 |

8. The Subsidiaries of the Borrower referred to in Section 2.01.B. are: None

9. The date of the Borrower's balance sheet referred to in Section 2.01.H is June 30, 2006.

10. The Borrower's exact legal name is: Sulphur Springs Valley Electric Cooperative, Inc.

11. The Borrower's organizational type is: Corporation

12. The Borrower is organized under the laws of the state of: Arizona

13. The Borrower's organizational identification number is: 0038220-2

14. The place of business or, if more than one, the chief executive office of the Borrower referred to in Section 2.01.I is 311 East Wilcox, Sierra Vista, Arizona 85635.

15. The Governmental Authority referred to in Section 2.01.J. is: Arizona Corporation Commission

16. The address for notices to the Borrower referred to in Section 8.01 is 311 East Wilcox, Sierra Vista, Arizona 85635, Attention: General Manager, Fax: (520) 384-5223.

## Exhibit A - Funds Requisition Statement

Borrower Name & ID: Sulphur Springs Valley Electric Cooperative, Inc. (AZ014)
Loan Number: AZ014-A-9048-CB001
Loan Agreement and Project Agreement with CFC dated:
CREBs Series: 2008A
CFC CREBs Application #: 18
Name of Project: St. David Unified School District Photovoltaic Solar Automobile Parking Shade Structure
Funds Requisition Statement No.:

**Amount Requested:**
**Date Of Advance:**

**Disposition of Funds (wiring instructions):**

### Certification

Acting on behalf of the Borrower, I hereby certify that as of the date below: (1) I am duly authorized to make this certification and to request funds on the terms specified herein; (2) the Borrower has met all of the conditions contained in the Loan Agreement and the Project Agreement listed above governing the terms of this Advance that the Borrower is required to meet prior to an Advance of funds; (3) all of the representations and warranties contained in said Loan Agreement and Project Agreement are true and will continue to be true upon use of the funds as hereby requested; (4) no Event of Default, under the Loan Agreement or the Borrower's Mortgage, has occurred and is continuing; (5) I know of no other event that has occurred which, with the lapse of time and/or notification to CFC of such event, or after giving effect to this Advance, would become an Event of Default under the Loan Agreement or the Borrower's Mortgage; (6) the funds requested herein will be used only as a reimbursement for the purposes specified in the Loan Agreement and the Project Agreement; (7) the costs to be reimbursed by the funds requested herein are capital expenditures and have not previously been reimbursed under a previous Funds Requisition Statement; (8) the Borrower has secured sufficient funds to complete the Project; (9) any necessary permits and approvals required for the Project at this point have been obtained; (10) the Borrower is maintaining a file containing true and correct copies of invoices or bills of sale covering all items for which payment is sought by this request; (11) such costs have been incurred and paid by the Borrower in connection with the Project; (12) the Borrower is not using the funds requested hereby to make any payments of principal or interest due under the Loan Agreement; (13) no expenditure which is being reimbursed by the funds requested hereby was paid more than eighteen months after the later of (i) the date the expenditure is paid or (ii) the date the Project is placed in service, but in no event later than three years after the date the original expenditure was paid; and (14) set forth below is a table listing all of the major components of the Project, how much is being requested in this Funds Requisition Statement as an advance for certain components, how much has been

advanced on each component to date, the percentage of each component that is completed to date, and the purpose of the advance(s) being requested by this Funds Requisition Statement.

I hereby authorize CFC, for and on behalf of the Borrower, to forward this Funds Requisition Statement to the Trustee for disbursement of the Advance from the Project Account relating to the above Loan to the Borrower on the following terms, and hereby acknowledge and agree that such terms shall be binding upon Borrower under the provisions of the Loan Agreement governing this Advance:

| Project Component | Amount Expended to Date by Borrower | Amount Advanced to Date | Advance Amount Requested Herein | Percentage Complete |
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| Total | | | | |

Certified By:

_____ _____ _____

Signature Date Title of Authorized Officer

**PLEASE FAX TO 703-709-6776 ATTN: _____, Associate Vice President**

APPROVED:

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION

By: _____
Title: _____
Date: _____

**EXHIBIT B**

**BRING-DOWN CERTIFICATE**
**OF**
**BORROWER**

The undersigned, _____, duly qualified officers of SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (the *"Borrower"*), an Arizona corporation, hereby certify as follows:

1. The following documents have been duly executed, and delivered or accepted in the name and on behalf of the Borrower by the authorized officer or officers of the Borrower pursuant to, and in full compliance with, authority granted by the Board of Trustees/Directors of the Borrower:

| DOCUMENT | DATE | OTHER PARTY OR PARTIES |
|---|---|---|
| Loan Agreement (the *"Agreement"*) | _____, 200_ | National Rural Utilities Cooperative Finance Corporation (*"CFC"*) |
| Project Agreement (the *"Project Agreement"*) | _____, 200_ | |
| Note (the *"Note"*) | _____, 200_ | |

2. Each of the representations and warranties of the Borrower in the Loan Agreement and the Project Agreement are true and correct on and as of the date hereof (the *"Closing Date"*), and the Borrower has complied with all agreements and satisfied all conditions on its part to be observed or satisfied thereunder at or prior to the Closing Date.

IN WITNESS WHEREOF, the undersigned have hereunto set their signatures this ____ day of _____, 2008.

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

By _____
Title:

By _____
Title:

**EXHIBIT C**

**COMPLETION CERTIFICATE**
**OF**
**BORROWER**

Pursuant to the Loan Agreement dated as of _____ by and between SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (the "Borrower") and National Rural Utilities Cooperative Finance Corporation ("CFC") relating to CFC Loan Number AZ014-A-9048-CB001 (the "Loan Agreement"), the undersigned, _____, duly qualified officer of the Borrower, hereby certifies as follows:

(i) On [date of completion] all portions of the Project (as defined in the Loan Agreement) have been fully completed substantially in accordance with any plans and specifications therefore, as then amended; and

(ii) Amount advanced on the Loan (as defined in the Loan Agreement) and the use of the property financed, refinanced or reimbursed therefrom will not cause any of the representations or certifications contained in the Project Agreement (as defined in the Loan Agreement) to be untrue or result in a violation of any covenant in the Project Agreement.

IN WITNESS WHEREOF, the undersigned have hereunto set his/her signature this ____ day of _____, 20____.

SULPHUR SPRINGS VALLEY ELECTRIC
COOPERATIVE, INC.

By _____
Title:

**EXHIBIT D**

**TERMINATION CERTIFICATE**
**OF**
**BORROWER**

Pursuant to the Loan Agreement dated as of _____ by and between SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (the "Borrower") and National Rural Utilities Cooperative Finance Corporation ("CFC") relating to CFC Loan Number AZ014-A-9048-CB001 (the "Loan Agreement"), the undersigned, _____, duly qualified officer of the Borrower, hereby certifies as follows:

(i) all portions of the Project (as defined in the Loan Agreement) have not been fully completed substantially in accordance with any plans and specifications therefor, as then amended;

(ii) no further acquisition, construction or installation will occur with respect to the Project (as defined in the Loan Agreement); and

(iii) the Borrower does not intend to request any further Advances (as defined in the Loan Agreement) on the Loan (as defined in the Loan Agreement).

IN WITNESS WHEREOF, the undersigned have hereunto set his/her signature this ____ day of _____, 20____.

SULPHUR SPRINGS VALLEY ELECTRIC
COOPERATIVE, INC.

By _____
Title:

**SECURED PROMISSORY NOTE**

$280,000.00 dated as of 12/21/2007

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC., an Arizona corporation (the "Borrower"), for value received, hereby promises to pay, without setoff, deduction, recoupment or counterclaim, to the order of NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION (the "Payee"), at its office in Herndon, Virginia office or such other location at its office in Herndon, Virginia or such other location as the Payee may designate to the Borrower, in lawful money of the United States, the principal sum of TWO HUNDRED EIGHTY THOUSAND AND 00/100 DOLLARS ($280,000.00), or such lesser sum of the aggregate unpaid principal amount of all advances made by the Payee pursuant to that certain Loan Agreement dated as of even date herewith between the Borrower and the Payee, as it may be amended from time to time (herein called the "Loan Agreement"), and to pay interest on all amounts remaining unpaid hereunder from the date of each advance in like money, at said office, at the rate and in amounts and payable on the dates provided in the Loan Agreement together with any other amount payable under the Loan Agreement. If not sooner paid, any balance of the principal amount and interest accrued thereon shall be due and payable on the Maturity Date.

This Note is secured under a Restated Mortgage and Security Agreement, dated of December 6, 2007 between the Borrower and the Payee, as it may have been or shall be supplemented, amended, consolidated or restated from time to time ("Mortgage"). This Note is one of the Notes referred to in, and has been executed and delivered pursuant to, the Loan Agreement.

The principal hereof and interest accrued thereon and any other amount due under the Loan Agreement may be declared to be forthwith due and payable in the manner, upon the conditions, and with the effect provided in the Mortgage or the Loan Agreement.

The Borrower waives demand, presentment for payment, notice of dishonor, protest, notice of protest, and notice of non-payment of this Note.

IN WITNESS WHEREOF the Borrower has caused this Note to be signed in its corporate name and its corporate seal to be hereunto affixed and to be attested by its duly authorized officers, all as of the day and year first above written.

SULPHUR SPRINGS VALLEY
ELECTRIC COOPERATIVE, INC.

(SEAL)

By: Gene Manning

Title: President

Attest: _____
~~Secretary~~

CREDEN W. HUBER
CHIEF EXECUTIVE OFFICER

Loan No. AZ014-A-9049-CB001

PROJECT AGREEMENT

OF

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (THE *"BORROWER"*)

DATED: as of 12/21/2007

The undersigned is a duly qualified officer of the Borrower named above and, as such officer, is familiar with (i) the properties, affairs and records of the Borrower, (ii) the issuance of the Securities (as hereinafter defined) and the use of the proceeds thereof as it relates to the Borrower and (iii) the Project, as hereinafter defined.

In connection with the issuance of the Clean Renewable Energy Bonds (Cooperative Renewable Energy Projects) Series 2008A (the *"Securities"*), being issued by the National Rural Utilities Cooperative Finance Corporation (the *"Issuer"*), the undersigned hereby certifies and covenants regarding the use of the proceeds of the Securities advanced to the Borrower, as follows:

1. General.

1.1 This Project Agreement is made pursuant to Section 54 of the Internal Revenue Code of 1986, as amended (the *"Code"*), and any United States Treasury regulations and other guidance thereunder to make the certifications required by Section 54 of the Code and any United Stares Treasury regulations and other guidance thereunder and to establish the reasonable expectations of the Borrower with respect to the amount and use of amounts to be advanced to the Borrower pursuant to the Loan Agreement dated as of even date herewith between the Issuer and the Borrower (the *"Loan Agreement"*). Capitalized terms used herein are defined where they first appear or are defined in *Exhibit A* attached hereto.

1.2 This Project Agreement is based on facts and estimates in existence on the date hereof and the continued veracity of these facts and estimates as of the date that the Securities are issued (the *"Closing"*) will be confirmed by the Borrower on the date of Closing, and on the basis of such facts and estimates, the Borrower expects that the events described herein will occur. To the best of the undersigned's knowledge, information, and belief, the expectations contained in this Project Agreement are reasonable.

1.3 The Borrower is a Qualified Borrower, as defined in *Exhibit A,* and is responsible for the acquiring/constructing/equipping of the Project (defined below). The undersigned has reviewed this Project Agreement, as well as the provisions of Section 54 of the Code and any United States Treasury regulations and other guidance thereunder, with its own legal counsel and understands and is familiar with this Project Agreement and the provisions of Section 54 and any United States Treasury regulations and other guidance thereunder. The Borrower will

comply in all respects with the provisions of Section 54 and any United States Treasury regulations and other guidance thereunder.

1.4 The Borrower agrees to keep and retain or cause to be kept and retained sufficient records to demonstrate compliance with the covenants in this Project Agreement. Such records shall include, but are not limited to, basic records relating to the issuance of the Securities (including this Project Agreement and the inducement resolution as described in Section 3.3 hereof); documentation evidencing the expenditure of amounts advanced to the Borrower pursuant to the Loan Agreement; documentation evidencing the use of property financed with amounts advanced to the Borrower pursuant to the Loan Agreement; and documentation evidencing all sources of payment or security maintained by the Borrower for amounts advanced to the Borrower pursuant to the Loan Agreement. Such records shall be kept until the date three (3) years after the CREB Maturity Date.

1.5 Neither the Borrower nor any Related Person (as defined in Exhibit A) to the Borrower will purchase any Securities.

2. Qualified Project.

2.1 The Loan Agreement requires the amounts advanced thereunder to be used for facilities to be owned by the Borrower, described in more detail in Section 2.2 hereof and in *Exhibit B* attached hereto as the "Updated Description of the Project" (the *"Project"*). The Project was originally described in an exhibit to the Application for National Clean Renewable Energy Bond Limitation submitted to the Internal Revenue Service by the Issuer in support of the national clean renewable energy bond allocation received by the Issuer, which "Original Description of the Project" is attached hereto as *Exhibit C*.

2.2 The Project is a Solar Energy Facility (the *"Qualifying Facility"*), as defined in *Exhibit A* and property functionally related and subordinate thereto, as further described in *Exhibit B,* attached hereto.

3. Clean Renewable Energy Bonds Qualification.

3.1 At least 95 percent of the proceeds advanced to the Borrower pursuant to the Loan Agreement will be used by the Borrower for capital expenditures with respect to the Project. None of the proceeds of the Loan (as defined in the Loan Agreement) will be paid to the Issuer, the Borrower or any Related Person to the Issuer or the Borrower, except for amounts paid to the Borrower to reimburse the Borrower for actual and direct expenditures relating to the Project paid by the Borrower to persons other than the Issuer, the Borrower or any Related Person to the Issuer or the Borrower.

3.2 The Borrower has incurred or will, within six months of the Closing Date, incur a substantial binding obligation (not subject to contingencies within the control of the Issuer, the Borrower or any Related Person to either of them) to a third party

to expend at least ten percent of the Loan Amount (*i.e.* the total amount to be advanced to the Borrower pursuant to the Loan Agreement). It is expected that the work of acquiring/constructing/equipping the Project and the expenditure of the Loan Amount will proceed with due diligence through December 1, 2008, at which time it is anticipated that the Loan Amount will have been spent in its entirety. The Borrower acknowledges that, to the extent that less than 95 percent of the Loan Amount is expended by a date five years from the date of issuance of the Securities, the Borrower will be required to prepay its Loan in an amount, and the Issuer will redeem Securities at the end of such five-year period in an amount, necessary to maintain the tax credit with respect to the Securities, unless otherwise permitted by Section 6.5 hereof.

It is expected that all amounts advanced to the Borrower under the Loan Agreement will be spent to pay costs of the Project in accordance with the estimated periodic drawdown schedule contained in *Exhibit D,* attached hereto. The assumptions set forth in this Section 3.2 and on *Exhibit D,* attached hereto, represent the Borrower's best estimate, as of this date, of the periodic drawdown schedule of the Loan Amount.

3.3 The Borrower may use amounts advanced to the Borrower under the Loan Agreement to reimburse itself for expenditures paid prior to the date of issuance of the Securities. The Borrower shall reimburse itself for expenditures paid prior to the date of issuance of the Securities only if such expenditure was paid after the Borrower adopted an inducement resolution, and the expenditure is described in such inducement resolution.

**The Borrower shall use proceeds of the Loan to reimburse itself for expenditures paid prior to the date the Securities were issued only if such reimbursement is made within eighteen months after the later of (i) the date the expenditure is paid or (ii) the date the Project is placed in service, but in no event later than three years after the date the original expenditure was paid.**

Except for any reimbursement allowed under this Section 3.3, no portion of the proceeds advanced to the Borrower will be used to pay for expenditures relating to acquiring existing facilities (as contrasted with costs of enhancements, repair or rehabilitation of existing facilities).

3.4 Neither the Project nor any portion thereof has been, is expected to be, or will be sold or otherwise disposed of, in whole or in part, prior to the last maturity date of the Securities.

3.5 The Borrower has entered into the Loan Agreement of even date hereof under which it is committed to borrow $280,000 from the Issuer of the Securities and the Borrower reasonably expects to borrow and expend the full amount of such commitment.

3.6 At least 75% of the Loan Amount is expected to be used for Construction Purposes.

3.7 The Borrower will not use proceeds of the Loan (i) to pre-pay for goods or services to be received over a period of years prior to the date such goods or services are to be received, or (ii) to pay for or otherwise acquire goods or services from an Affiliated Person, as defined in *Exhibit A*.

3.8 The Borrower shall at all times be a Qualified Borrower.

4. Remedial Action.

4.1 The Borrower agrees to operate the Project as a Qualifying Facility.

The Borrower acknowledges that if property financed with proceeds of the Securities advanced to the Borrower is operated in a manner other than as a Qualifying Facility such operation may constitute a "deliberate action" that may require remedial actions to prevent the tax credit being produced by the Securities from being disallowed.

The Borrower shall promptly contact the Issuer as provided in Section 6.3 hereof if it considers operating property financed with proceeds of the Loan other than as a Qualifying Facility.

4.2 The Borrower acknowledges that if property financed with proceeds of the Loan is sold or otherwise disposed of in a manner contrary to the provisions of Section 3.4 hereof, such sale or disposition may constitute a "deliberate action" that may require remedial actions to prevent the tax credit being produced by the Securities from being disallowed. If the Borrower considers the sale or other disposition of property financed with proceeds of the Loan, it shall promptly contact the Issuer, in the manner set forth in Section 6.3 hereof.

5. Funds and Accounts; Investments.

5.1 After the issuance of the Securities, neither the Borrower nor any Related Person to the Borrower has or will have any property, including cash, securities or any other property held as a passive vehicle for the production of income or for investment purposes, that constitutes:

(i) amounts that have a sufficiently direct nexus to the Securities or to the governmental purpose of the Securities to conclude that the amounts would have been used for that governmental purpose if the Securities were not used or to be used for that governmental purpose (the mere availability or preliminary earmarking of such amounts for a governmental purpose, however, does not itself establish such a sufficient nexus);

(ii) amounts in a debt service fund, redemption fund, reserve fund, replacement fund or any similar fund to the extent reasonably expected to be used directly or indirectly to pay principal of or interest on the Securities or any amounts for which there is provided, directly or indirectly, a reasonable assurance that the amount will be available to pay principal of or interest on the Securities or any credit enhancement or liquidity device with respect to the Securities, even if the Issuer, the Borrower or any Related Person to either of them encounter financial difficulties; or

(iii) any amounts held pursuant to any agreement (such as an agreement to maintain certain levels of types of assets) made for the benefit of the holders of the Securities or any credit enhancement provider, including any liquidity device or negative pledge (*e.g.*, any amount pledged to pay principal of or interest on an issue held under an agreement to maintain the amount at a particular level for the direct or indirect benefit of holders of the Securities or a guarantor of the Securities).

No compensating balance, liquidity account, negative pledge of property held for investment purposes required to be maintained at least at a particular level or similar arrangement exists with respect to, in any way, the Securities or any credit enhancement or liquidity device related to the Securities.

5.2 During the acquiring/constructing/equipping of the Project, the Borrower will only draw down amounts from the Issuer for capital expenditures already paid by the Borrower.

5.3 Neither the Borrower nor any Related Person to the Borrower will enter into any hedge (*e.g.*, an interest rate swap, interest rate cap, futures contract, forward contract or an option) with respect to the Loan or the Securities.

5.4 All property subject to the Mortgage is and will be used by the Borrower in the conduct of its trade or business. The Borrower reasonably expects to repay the Loan from current operating revenues. The Mortgage does not require that cash, securities, obligations, annuity contracts or other property held principally as a passive vehicle for the production of income be maintained, individually or collectively, at any particular level.

6. Miscellaneous.

6.1 This Project Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia.

6.2 Prior to the date 15 days before the Securities were sold, neither the Borrower nor any Related Person to the Borrower has sold or delivered any obligations that are reasonably expected to be paid out of substantially the same source of funds as the Securities. Neither the Borrower nor any Related Person to the Borrower will sell

or deliver within 15 days after the date hereof any obligations that are reasonably expected to be paid out of substantially the same source of funds as the Securities.

6.3 All notices provided for herein shall be given or made in writing (including, without limitation, by telecopy) and delivered to the Issuer at the "Address for Notices" specified below. All such communications shall be deemed to have been duly given (i) when personally delivered including, without limitation, by overnight mail or courier service, (ii) in the case of notice by United States mail, certified or registered, postage prepaid, return receipt requested, upon receipt thereof, or (iii) in the case of notice by telecopy, upon transmission thereof, provided such transmission is promptly confirmed by either of the methods set forth in clauses (i) or (ii) above in each case given or addressed as provided for herein. The Address for Notices of the Issuer is as follows:

National Rural Utilities Cooperative Finance Corporation
2201 Cooperative Way
Herndon, Virginia 20171-3025
Attention: Senior Vice President – Member Services
Fax #703-709-6776

6.4 The Borrower represents that it has not been contacted by the Internal Revenue Service or any issuer of bonds, the proceeds of which were loaned to the Borrower regarding any examination of any tax exempt bonds issued for the benefit of the Borrower. To the best of the knowledge of the Borrower, no such obligations of the Borrower are currently under examination by the Internal Revenue Service.

6.5 Any restriction or covenant contained herein need not be observed or may be changed if such nonobservance or change will not result in the loss of any tax credit under Section 54 of the Code for the purpose of federal income taxation to which the Securities is otherwise entitled and the Borrower receives an opinion of Bond Counsel to such effect and the Issuer agrees to such nonobservance or change.

6.6 If any clause, provision or section of this Project Agreement is ruled invalid by any court of competent jurisdiction, the invalidity of such clause, provision or section shall not affect any of the remaining clauses, sections or provisions hereof.

6.7 The terms, provisions, covenants and conditions of this Project Agreement shall bind and inure to the benefit of the respective successors and assigns of the Issuer and the Borrower.

6.8 This Project Agreement shall terminate on the date three (3) years after the CREB Maturity Date.

The undersigned acknowledge that this Project Agreement is given as a basis for an opinion of the law firm of Chapman and Cutler LLP, Chicago, Illinois, and such firm is hereby authorized to rely on this Project Agreement.

DATED as of the day and year first above written.

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

By Gene Manning

Title President

CFC DOC
AZ014-A-9049-CB001 (JABLONJ)
117521-1

## EXHIBIT A

## DEFINITIONS

*"Affiliated Person"* means any Person that (a) at any time during the six months prior to the Closing Date, (i) has more than five percent of the voting power of the governing body of the Issuer or the Borrower in the aggregate vested in its directors, officers, owners, and employees or (ii) has more than five percent of the voting power of its governing body in the aggregate vested in directors, officers, board members, owners, members or employees of the Issuer or the Borrower or (b) during the one-year period beginning six months prior to the Closing Date, (i) the composition of the governing body of which is modified or established to reflect (directly or indirectly) representation of the interests of the Issuer or the Borrower (or for which an agreement, understanding, or arrangement relating to such a modification or establishment during that one-year period) or (ii) the composition of the governing body of the Issuer or the Borrower is modified or established to reflect (directly or indirectly) representation of the interests of such Person (or for which an agreement, understanding, or arrangement relating to such a modification or establishment during that one-year period).

*"Bond Counsel"* means Chapman and Cutler LLP or any other nationally recognized firm of attorneys experienced in the field of municipal obligations whose opinions are generally accepted by purchasers of municipal obligations.

*"Closing Date"* means the date the Issuer issues the Securities.

*"Code"* means the Internal Revenue Code of 1986, as amended.

*"Constructed Personal Property"* means tangible personal property (or, if acquired pursuant to a single acquisition contract, properties) or Specially Developed Computer Software if (i) a substantial portion of the property or properties is completed more than six (6) months after the earlier of the date construction or rehabilitation commenced and the date the Borrower entered into an acquisition contract; (ii) based on the reasonable expectations of the Borrower, if any, or representations of the person constructing the property, with the exercise of due diligence, completion of construction or rehabilitation (and delivery to the issuer) could not have occurred within that six-month period; and (iii) if the Borrower itself builds or rehabilitates the property, not more than 75 percent of the capitalizable cost is attributable to property acquired by the Borrower (*e.g.*, components, raw materials, and other supplies).

*"Construction Purposes"* means capital expenditures that are allocable to the cost of Real Property or Constructed Personal Property. Except as provided in the next succeeding sentence, construction expenditures do not include expenditures for acquisitions of interests in land or other existing real property. Expenditures are not for the acquisition of an interest in existing real property other than land if the contract between the seller and the Borrower requires the seller to build or install the property (*e.g.*, a *turnkey contract*), but only to the extent that the property has not been built or installed at the time the parties enter into the contract.

*"Control"* means the possession, directly or indirectly through others, of either of the following discretionary and non-ministerial rights or powers over another entity (i) to approve and to remove without cause a controlling portion of the governing body of a Controlled Entity, or (ii) to require the use of funds or assets of a Controlled Entity for any purpose.

*"Controlled Entity"* means any entity or one of a group of entities that is subject to Control by a Controlling Entity or group of Controlling Entities.

*"Controlled Group"* means a group of entities directly or indirectly subject to Control by the same entity or group of entities, including the entity that has the Control of the other entities.

*"Controlling Entity"* means any entity or one of a group of entities directly or indirectly having Control of any entities or group of entities.

*"CREB Maturity Date"* shall have the meaning ascribed to it in the Loan Agreement.

*"Governmental Body"* means any State, territory, possession of the United States, the District of Columbia, Indian tribal government, and any political subdivision thereof.

*"Mortgage"* means the mortgage and security agreement applicable to substantially all of the property of the Borrower.

*"Qualified Borrower"* means (i) a mutual or cooperative electric company described in Sections 501(c)(12) or 1381(a)(2)(C) of the Code, or (ii) a Governmental Body (as defined above).

*"Real Property"* means land and improvements to land, such as buildings or other inherently permanent structures, including interests in real property. For example, real property includes wiring in a building, plumbing systems, central heating or air-conditioning systems, pipes or ducts, elevators, escalators installed in a building, paved parking areas, roads, wharves and docks, bridges, and sewage lines.

*"Related Person"* means any member of the same Controlled Group as the Issuer or the Borrower and any person related to the Issuer or a Borrower within the meaning of Section 144(a)(3) of the Code.

*"Solar Energy Facility"* means a facility using solar energy to produce electricity.

*"Specially Developed Computer Software"* means any programs or routines used to cause a computer to perform a desired task or set of tasks, and the documentation required to describe and maintain those programs, provided that the software is specially developed and is functionally related and subordinate to real property or other constructed personal property.

*"Tangible Personal Property"* means any tangible property other than real property, including interests in tangible personal property. For example, tangible personal property

includes machinery that is not a structural component of a building, subway cars, fire trucks, automobiles, office equipment, testing equipment, and furnishings.

## EXHIBIT B

## UPDATED DESCRIPTION OF THE PROJECT

| | |
|---|---|
| CFC Application | No. 19 Sulphur Springs Valley EC, Inc. |
| Bond Proceeds Needed for Project: | $280,000 |
| Bond Allocation Requested and Received: | $280,000 |

| | |
|---|---|
| Name of Project | University of Arizona South District<br>Photovoltaic Solar Automobile Parking Shade Structure |
| Project Street Address | University of Arizona South<br>1140 N. Colombo Ave.<br>Sierra Vista, AZ 85635<br>Phone (520) 458-8278 |
| County | Cochise County |
| Individual Name to Contact | Jack Blair |
| Company Name | Sulphur Springs Valley Electric Cooperative, Inc. |
| Street Address | 311 E. Wilcox Drive |
| City, State, Zip | Sierra Vista, AZ 85635 |
| Telephone Number | (520) 515-3470 |
| Fax | (520) 458-3467 |

Updated Detailed Description of the Project:

A cantilevered shade structure at a school on the top of which will be constructed a 23kW solar photovoltaic system to supply power to the school. Excess power will flow on to the SSVEC system.

## EXHIBIT C

## ORIGINAL DESCRIPTION OF THE PROJECT

### [COPY OF EXHIBIT A TO ISSUER APPLICATION TO THE IRS]
### CLEAN RENEWABLE ENERGY BONDS APPLICATION
### EXHIBIT A

### SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.
### UNIVERSITY OF ARIZONA SOUTH DISTRICT PHOTOVOLTAIC SOLAR SHADE STRUCTURE

This project will place a photovoltaic module costing $280,000, that will produce 23kW of electricity in the shade structure in the University of Arizona South school. The PV structure will provide electricity to the respective school at no charge. There will also be a cable connection to a computer in the library of each school to show students how the system is working.

This project is the identical project that Navopache Electric Cooperative in Arizona built in 2001 that continues to function with no issues/problems.

SSVEC will operate and maintain the structure. Any excess power produced will flow back to the SSVEC grid.

The PV structures at the schools will significantly reduce their electric bills, which have been disproportionately large due to the per meter monthly surcharges mandated by the Environmental Portfolio Program (EPP), and approved by the Arizona Corporation Commission. All customers pay the EPP fees to SSVEC, which uses them to fund renewable energy projects. Since each school has many meters, they pay the EPP a disproportionately large amount of dollars. The benefit of reduced electric bills will offset their payments into the fund.

The RFP issued by Sulphur Springs Valley Electric Cooperative follows.

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.
A TOUCHSTONE ENERGY® COOPERATIVE

FOR THE ELECTRIC COOPERATIVES IN THE STATE OF ARIZONA

# REQUEST
# A
# PROPOSAL

FOR

## A PHOTOVOLTAIC SYSTEM
## USED FOR
## SHADE STRUCTURES
## FOR
## PUBLIC BUILDINGS

**ISSUED: AUGUST 1, 2005**

Narrative: The Electric Cooperatives in Arizona (Duncan Valley EC, Graham County EC, Mohave EC, Navopache EC, Sulphur Springs Valley EC, Trico EC and Arizona Electric Power Cooperative, Inc.) request a proposal for a modular designed system to supply a 10kW to 30 kW Photovoltaic (PV) system. System size is relative to the space available for the PV panels on each site. System may consist of multiple free standing modules interconnected to meet the 10 to 30 kW size requirement. Modules to be used as free standing carports or free standing covers for walkways to provide shade. These systems are to be used at public buildings to increase the awareness of PV systems and operations and systems will be sized based on the available space. Base pricing for 10, 15, 20, 25, and 30 kW systems are requested (systems may be rounded to the nearest 5kW increment). The interconnection cost from the PV system to nearest distribution panel will be on a case by case basis due to the variation in sites. This RFP is not all-inclusive and contractor may include other specifications or requirements they feel are necessary for a successful venture.

This RFP is released on August 1, 2005 and response must be in a written proposal by October 1, 2005. For questions or clarification of details please contact Albert Gomez (520-515-3473) or David Bane (520-515-3472).

SCOPE OF WORK - THE CONTRACTOR WILL BE RESPONSIBLE FOR THE FOLLOWING:

- Structural design of the supporting PV structures (carport and walkway)
- One line circuit diagrams for approval by local Cooperative's engineering department
- Complete wiring diagrams (to be included in owner manual)
- Isolation transformers as needed to meet the NEC
- Purchase and installation of all components
- Systems test period of 4-6 weeks prior to transfer of title of equipment to site owner

- Any required Permits (Cooperative will reimburse actual cost of permits)
- Meter socket on the A/C output of the inverter(s)
- Interconnection with Customers electric service
- Fencing around inverters and other equipment as required for security and public safety
- Project to meet or exceed SunWatts standards
- Basic training for site owner / site operator
- Operators Manual

THE COOPERATIVE WILL PROVIDE THE FOLLOWING:

- Meter to measure AC output from PV system to owners electric panel
- Written permission from site owner to build the PV Module
- Act as the point of contact with the installation Contractor on behalf of the site owner

STRUCTURAL DESIGN REQUIREMENTS:

The basic structure is to support the PV cells but must be able to work as a carport with all the required clearances. Support should be in a cantilever style to allow easy parking, spacing on vertical supports should be in multiples of 10 feet to be able to match typical parking lot spacing, height should allow the parking of full size passenger vans, and structure does not have to be water proof (providing shade to vehicles is secondary to the production of energy). Sample profile (to show intent not required design) is on page 4. Ideal structure would have the ability to support PV panels that would be effective if the long side of the structure is in a North-South as well as East-West orientation.

PV DESIGN REQUIREMENTS:

- PV panels shall have warranty for a minimum of 15 years to cover rated output (output degradation not to exceed 20% over life of panel)
- All system components will be UL certified
- System will include isolation transformers per section 250-30 of the NEC
- Polyphase inverter with voltage to match customer's system
- Inverter to match capacity of project
- 15 year manufacturers warranty on Inverter (contractor may use an extended warranty insurance policy to meet 15 year requirement)
- Contractor will warranty repair labor at 100% for first 5 years, 66% of labor for second 5 years, and 33% of labor for remaining 5 years, (limited to warranty repairs)
- Interconnection costs from site of PV system to nearest practical distribution panel will be on a case by case basis, (site selection process will keep this as short as possible)

SUNWATTS REQUIREMENTS:

- One-line drawings subject to approval by local Cooperative's engineering department
- Units to operate in parallel with grid
- Includes protection for out of frequency problems

- Low harmonics
- Inverter must disconnect in the event grid power is lost
- Lockable safety switch located between the inverter and meter socket

TRAINING REQUIREMENTS:

The Contractor will provide sufficient time with the site owner to explain how to disconnect the system, locate inverter, identify all junction boxes between the modules, and identify any system warning lights or displays. Contractor will also provide system manual with basic operating instructions and all the associated warranty information and manufacturer contacts listed.

## EXHIBIT D

## MONTHLY DRAWDOWN SCHEDULE OF AMOUNTS TO BE ADVANCED TO THE BORROWER PURSUANT TO THE LOAN AGREEMENT

| DATE ON WHICH PROCEEDS ARE EXPECTED TO BE EXPENDED | AMOUNTS OF PROCEEDS TO BE EXPENDED |
|---|---|
| December 1, 2008 | $280,000 |

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

To

NATIONAL RURAL UTILITIES
COOPERATIVE FINANCE CORPORATION
Issuer

# LOAN AGREEMENT

Dated as of 12/21, 2007

Clean Renewable Energy Bonds
(Cooperative Renewable Energy Projects) Series 2008A
of National Rural Utilities Cooperative Finance Corporation

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## LOAN AGREEMENT

**LOAN AGREEMENT** (this "Agreement") dated as of _____, between SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. ("Borrower"), a corporation organized and existing under the laws of the State of Arizona and NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION ("CFC"), a cooperative association organized and existing under the laws of the District of Columbia.

## RECITALS

**WHEREAS,** the Borrower has applied to CFC for a loan for the purposes set forth in Schedule 1 hereto, and CFC is willing to make such a loan to the Borrower on the terms and conditions stated herein; and

**WHEREAS,** the Borrower has agreed to execute a promissory note to evidence an indebtedness in the aggregate principal amount of the CFC Commitment (as hereinafter defined).

**NOW, THEREFORE,** for and in consideration of the premises and the mutual covenants hereinafter contained, the parties hereto agree and bind themselves as follows:

## ARTICLE I

## DEFINITIONS

**Section 1.01** For purposes of this Agreement, the following capitalized terms shall have the following meanings (such definitions to be equally applicable to the singular and the plural form thereof). Capitalized terms that are not defined herein shall have the meanings as set forth in the Mortgage.

**"Accounting Requirements"** shall mean any system of accounts prescribed by a federal regulatory authority having jurisdiction over the Borrower or, in the absence thereof, the requirements of GAAP applicable to businesses similar to that of the Borrower.

**"Advance"** shall mean each advance of funds by CFC to the Borrower pursuant to the terms and conditions of this Agreement, including the Initial Advance and the Primary Advance.

**"Authorized Officer of the Borrower"** means the Chairman, General Manager or Chief Financial Officer of the Borrower or any other person authorized by the Board of the Borrower so to act or any other person performing a function similar to the function performed by any such officer or authorized person.

**"Average DSC Ratio"** shall mean the average of the Borrower's two highest annual DSC Ratios during the most recent three calendar years.

**"Bond Counsel"** means an attorney at law or a firm of attorneys (designated by CFC and acceptable to the Trustee) of nationally recognized standing in matters pertaining to the tax-exempt nature of interest or tax credits on bonds issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of any state of the United States of America.

**"Business Day"** shall mean any day that both CFC and the depository institution CFC utilizes for funds transfers hereunder are open for business.

**"CFC Commitment"** shall have the meaning as defined in Schedule 1.

**"CFC CREB Rate"** shall mean the interest rate charged by CFC for loans made by CFC from proceeds of the CREBs which rate shall not exceed one hundred and fifty basis points (150/100 of 1%) per annum.

**"Closing Date"** shall mean the date CFC issues the CREBs.

**"Code"** shall mean the Internal Revenue Code of 1986, as supplemented and amended.

**"Completion Certificate"** shall mean the certificate of the Borrower required by Section 5.01.P of this Agreement, substantially in the form of Exhibit C hereto.

**"CREBs"** shall mean the series of Securities issued by CFC to provide financing for the Project.

**"CREB Maturity Date"** shall mean the maturity date of the CREBs, which shall be the December 15th prior to the Maximum CREB Term Anniversary Date.

**"Debt Service Coverage ("DSC") Ratio"** shall mean the ratio determined as follows: for any calendar year add (i) Operating Margins, (ii) Non-Operating Margins--Interest, (iii) Interest Expense, (iv) Depreciation and Amortization Expense, and (v) cash received in respect of generation and transmission and other capital credits, and divide the sum so obtained by the sum of all payments of Principal and Interest Expense required to be made during such calendar year; provided, however, that in the event that any amount of Long-Term Debt has been refinanced during such year, the payments of Principal and Interest Expense required to be made during such year on account of such refinanced amount of Long-Term Debt shall be based (in lieu of actual payments required to be made on such refinanced amount of Long-Term 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 payment of Principal and Interest Expense required to be made during the following year on account of such refinancing debt.

**"Default Rate"** shall mean a rate per annum equal to one hundred and fifty basis points (150/100 of 1%).

**"Depreciation and Amortization Expense"** shall mean an amount constituting the depreciation and amortization of the Borrower computed pursuant to Accounting Requirements.

**"Determination of Tax Credit Ineligibility"** shall mean a determination that a particular series of Securities does not qualify for a tax credit for the owner thereof under Section 54 of the Code, which determination shall be deemed to have been made upon the occurrence of the first to occur of the following:

(a) the date on which CFC determines that there is a significant likelihood that a particular series of Securities may not qualify for a tax credit, if such determination is supported by a written opinion of Bond Counsel to that effect; or

(b) the date on which CFC shall receive notice in writing that the Trustee has been advised by the owner of any Security that a particular series of Securities does not qualify for a tax credit for the owner thereof, based upon a final determination made either by: (A) the Internal Revenue Service in a published or private ruling or technical advice memorandum or (B) any court of competent jurisdiction in the United States of America, as a result of a failure by CFC or any borrower to observe any agreement or representation in the Tax Compliance Agreement or a Loan Agreement or Project Agreement relating to the proceeds of the Securities. Any such determination will not be considered final for this purpose unless the Owner of the Securities involved in the proceeding or action resulting in the determination (i) gives CFC and the Trustee prompt written notice of the commencement thereof and (ii) if CFC agrees to pay all expenses in connection therewith and to indemnify such Owner of the Securities against all liabilities in connection therewith, offers CFC an opportunity to contest the determination, either directly or in the name of the Owner of the Securities, and until conclusion of any review, if sought.

**"Distributions"** shall mean, with respect to the Borrower, any dividend, patronage refund, patronage capital retirement or cash distribution to its members, or consumers (including but not limited to any general cancellation or abatement of charges for electric energy or services furnished by the Borrower). The term "Distribution" shall *not* include (a) a distribution by the Borrower to the estate of a deceased patron, (b) repayment by the Borrower of a membership fee upon termination of a membership, or (c) any rebate to a patron resulting from a cost abatement received by the Borrower, such as a reduction of wholesale power cost previously incurred.

**"Draw Period"** shall have the meaning as described in Schedule 1 hereto.

**"Environmental Laws"** shall mean all laws, rules and regulations promulgated by any Governmental Authority, with which Borrower is required to comply, regarding the use, treatment, discharge, storage, management, handling, manufacture, generation, processing, recycling, distribution, transport, release of or exposure to any Hazardous Material.

**"Equity"** shall mean the aggregate of the Borrower's equities and margins computed pursuant to Accounting Requirements.

**"Event of Default"** shall have the meaning as described in Article VI hereof.

**"Funds Requisition Statement"** shall mean the certificate of the Borrower, in the form set forth as Exhibit A to this Agreement, by which the Borrower will obtain an advance of funds from CFC under the Loan.

**"GAAP"** shall mean generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board.

**"Governmental Authority"** shall mean the government of the United States of America, any other nation or government, any state or other political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

**"Hazardous Material"** shall mean any (a) petroleum or petroleum products, radioactive materials, asbestos-containing materials, polychlorinated biphenyls, lead and radon gas, and (b) any

other substance designated as hazardous or toxic or as a pollutant or contaminant under any Environmental Law.

**"Indenture"** shall mean the Indenture between CFC and U.S. Bank Trust Company National Association, relating to the first issue of Securities, pursuant to which the Securities, including the CREBs are issued, as supplemented and amended.

**"Initial Advance"** shall mean the Advance made by CFC on the Closing Date pursuant to Section 3.02.A hereof to fund a portion of CFC's costs in issuing the CREBs attributable to the CFC Commitment, including, but not limited to, original issue discount, underwriting discount and other costs of issuance, including, without limitation, rating agency costs and legal, underwriting and Trustee expenses.

**"Interest Expense"** shall mean an amount constituting the interest expense with respect to Long-Term Debt of the Borrower computed pursuant to Accounting Requirements. 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 Restricted Rentals paid by the Borrower over 2% of the Borrower's Equity.

**"Lien"** shall mean any statutory or common law consensual or non-consensual mortgage, pledge, security interest, encumbrance, lien, right of set off, claim or charge of any kind, including, without limitation, any conditional sale or other title retention transaction, any lease transaction in the nature thereof and any secured transaction under the Uniform Commercial Code.

**"Loan"** shall mean the loan made by CFC to the Borrower, pursuant to this Agreement and the Note, in an aggregate principal amount not to exceed the CFC Commitment.

**"Loan Capital Term Certificate" or "LCTC"** shall mean a certificate, or book entry form of account, evidencing the Borrower's purchase of equity in CFC.

**"Loan Documents"** shall mean this Agreement, the Note, the Mortgage, the Project Agreement and all other documents or instruments executed, delivered or executed and delivered by the Borrower and evidencing, securing, governing or otherwise pertaining to, the Loan.

**"Long-Term Debt"** shall mean an amount constituting the long-term debt of the Borrower computed pursuant to Accounting Requirements.

**"Maturity Date"** shall mean the Payment Date immediately prior to the CREB Maturity Date permitted for the CREBs under Section 54(e)(2) of the Code as in effect on the Closing Date.

**"Maximum CREB Term Anniversary Date"** shall mean the anniversary of the Closing Date that occurs at the maximum term permitted for the CREBs under Section 54(e)(2) of the Code as in effect on the Closing Date.

**"Mortgage"** shall have the meaning as described in Schedule 1 hereto.

**"Mortgaged Property"** shall have the meaning ascribed to it in the Mortgage.

**"Non-Operating Margins--Interest"** shall mean the amount representing the interest component of non-operating margins of the Borrower computed pursuant to Accounting Requirements.

**"Note"** shall mean the secured promissory note, payable to the order of CFC, executed by the Borrower, dated as of even date herewith, pursuant to this Agreement as identified on Schedule 1 hereto and shall include any substitute note or modification thereto.

**"Obligations"** shall mean any and all liabilities, obligations or indebtedness owing by the Borrower to CFC, of any kind or description, irrespective of whether for the payment of money, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising.

**"Operating Margins"** shall mean the amount of patronage capital and operating margins of the Borrower computed pursuant to Accounting Requirements.

**"Payment Date"** shall mean the first (1st) day of each of March, June and September and December.

**"Payment Notice"** shall mean a notice furnished by CFC to the Borrower that indicates the amount of each payment of interest or interest and principal and the total amount of each payment due.

**"Permitted Encumbrances"** shall have the meaning ascribed to it in the Mortgage.

**"Person"** shall mean natural persons, cooperatives, corporations, limited liability companies, limited partnerships, general partnerships, limited liability partnerships, joint ventures, associations, companies, trusts or other organizations, irrespective of whether they are legal entities, and Governmental Authorities.

**"Primary Advance"** shall mean the Advance made by CFC to the Borrower pursuant to Section 3.02.B hereof two Business Days after the Closing Date to reimburse Borrower for costs of the Project.

**"Principal"** shall mean the amount of principal billed on account of Long-Term Debt of the Borrower computed pursuant to Accounting Requirements.

**"Project"** shall mean the project being financed pursuant to the Loan, as further described in Schedule 1.

**"Project Account"** means an account created pursuant to the Indenture within the Project Fund related to the CREBs.

**"Project Agreement"** shall mean the Project Agreement, dated as of even date herewith, executed by the Borrower with respect to the Project and the CREBs.

**"Project Fund"** means the Project Fund created and identified as such in the Indenture.

**"Restricted Rentals"** shall mean all rentals required to be paid under finance leases and charged to income, exclusive of any amounts paid under any such lease (whether or not designated therein as rental or additional rental) for maintenance or repairs, insurance, taxes, assessments, water rates or similar charges. For the purpose of this definition the term "finance lease" shall mean any lease having a rental term (including the term for which such lease may be renewed or extended at the option of the lessee) in excess of three (3) years and covering property having an initial cost in excess of $250,000 other than automobiles, trucks, trailers, other vehicles (including without

limitation aircraft and ships), office, garage and warehouse space and office equipment (including without limitation computers).

**"Securities"** shall mean one or more series of clean renewable energy bonds issued by CFC under the Indenture.

**"Subsidiary"** as to any Person, shall mean a corporation, partnership, limited partnership, limited liability company or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise qualified, all references to a "Subsidiary" or to "Subsidiaries" in this Agreement shall refer to a Subsidiary or Subsidiaries of the Borrower.

**"Tax Compliance Agreement"** means a tax compliance certificate and agreement of CFC with respect to a series of Securities, as accepted by the Trustee, as amended.

**"Termination Certificate"** shall mean the certificate of the Borrower required by Section 5.01.Q of this Agreement, substantially in the form of Exhibit D hereto.

**"Total Assets"** shall mean an amount constituting the total assets of the Borrower computed pursuant to Accounting Requirements.

**"Total Utility Plant"** shall mean the amount constituting the total utility plant of the Borrower computed pursuant to Accounting Requirements.

**"Trustee"** shall mean U.S. Bank Trust Company National Association and its successors and assigns.

## ARTICLE II

## REPRESENTATIONS AND WARRANTIES

**Section 2.01** The Borrower represents and warrants to CFC that as of the date of this Agreement:

**A. Good Standing.** The Borrower is duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization, is duly qualified to do business and is in good standing in those states in which it is required to be qualified to conduct its business. The Borrower is a member in good standing of CFC.

**B. Subsidiaries and Ownership.** Schedule 1 hereto sets forth a complete and accurate list of the Subsidiaries of the Borrower showing the percentage of the Borrower's ownership of the outstanding stock, membership interests or partnership interests, as applicable, of each Subsidiary.

**C. Authority; Validity.** The Borrower has the power and authority to enter into this Agreement, the Note, the Project Agreement and the Mortgage; to make the borrowing hereunder; to execute and deliver all documents and instruments required hereunder and to incur and perform the obligations provided for herein, in the Note, in the Project Agreement and in the Mortgage, all of which have been duly authorized by all necessary and proper action; and no consent or approval of

any Person, including, as applicable and without limitation, members of the Borrower, which has not been obtained is required as a condition to the validity or enforceability hereof or thereof.

Each of this Agreement, the Note, the Project Agreement and the Mortgage is, and when fully executed and delivered will be, legal, valid and binding upon the Borrower and enforceable against the Borrower in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity.

D. **No Conflicting Agreements.** The execution and delivery of the Loan Documents and performance by the Borrower of the obligations thereunder, and the transactions contemplated hereby or thereby, will not: (i) violate any provision of law, any order, rule or regulation of any court or other agency of government, any award of any arbitrator, the articles of incorporation or by-laws of the Borrower, or any indenture, contract, agreement, mortgage, deed of trust or other instrument to which the Borrower is a party or by which it or any of its property is bound; or (ii) be in conflict with, result in a breach of or constitute (with due notice and/or lapse of time) a default under, any such award, indenture, contract, agreement, mortgage, deed of trust or other instrument, or result in the creation or imposition of any Lien (other than contemplated hereby) upon any of the property or assets of the Borrower.

The Borrower is not in default in any material respect under any agreement or instrument to which it is a party or by which it is bound and no event or condition exists which constitutes a default, or with the giving of notice or lapse of time, or both, would constitute a default under any such agreement or instrument.

E. **Taxes.** The Borrower, and each of its Subsidiaries, has filed or caused to be filed all federal, state and local tax returns which are required to be filed and has paid or caused to be paid all federal, state and local taxes, assessments, and governmental charges and levies thereon, including interest and penalties to the extent that such taxes, assessments, and governmental charges and levies have become due, except for such taxes, assessments, and governmental charges and levies which the Borrower or any Subsidiary is contesting in good faith by appropriate proceedings for which adequate reserves have been set aside.

F. **Licenses and Permits.** The Borrower has duly obtained and now holds all licenses, permits, certifications, approvals and the like necessary to own and operate its property and business that are required by Governmental Authorities and each remains valid and in full force and effect.

G. **Litigation.** There are no outstanding judgments, suits, claims, actions or proceedings pending or, to the knowledge of the Borrower, threatened against or affecting the Borrower, its Subsidiaries or any of their respective properties which, if adversely determined, either individually or collectively, would have a material adverse effect upon the business, operations, prospects, assets, liabilities or financial condition of the Borrower or its Subsidiaries. The Borrower and its Subsidiaries are not, to the Borrower's knowledge, in default or violation with respect to any judgment, order, writ, injunction, decree, rule or regulation of any Governmental Authority which would have a material adverse effect upon the business, operations, prospects, assets, liabilities or financial condition of the Borrower or its Subsidiaries.

H. **Financial Statements.** The balance sheet of the Borrower as at the date identified in Schedule 1 hereto, the statement of operations of the Borrower for the period ending on said date, and the interim financial statements of the Borrower, all heretofore furnished to CFC, are complete and correct. Said balance sheet fairly presents the financial condition of the Borrower as at said date

and said statement of operations fairly reflects its operations for the period ending on said date. The Borrower has no contingent obligations or extraordinary forward or long-term commitments except as specifically stated in said balance sheet or herein. There has been no material adverse change in the financial condition or operations of the Borrower from that set forth in said financial statements except changes disclosed in writing to CFC prior to the date hereof.

I. **Borrower's Legal Status.** Schedule 1 hereto accurately sets forth: (i) the Borrower's exact legal name, (ii) the Borrower's organizational type and jurisdiction of organization, (iii) the Borrower's organizational identification number or accurate statement that the Borrower has none, and (iv) the Borrower's place of business or, if more than one, its chief executive office as well as the Borrower's mailing address if different.

J. **Required Approvals.** Other than the CREBs allocation received from the Internal Revenue Service, no license, consent or approval of any Governmental Authority is required to enable the Borrower to enter into this Agreement, the Project Agreement, the Note and the Mortgage, or to perform any of its Obligations provided for in such documents, including without limitation (and if applicable), that of any state public utilities commission, any state public service commission, and the Federal Energy Regulatory Commission, except as disclosed in Schedule 1 hereto, all of which the Borrower has obtained prior to the date hereof.

K. **Compliance With Laws.** The Borrower and each Subsidiary is in compliance, in all material respects, with all applicable requirements of law and all applicable rules and regulations of each Governmental Authority.

L. **Disclosure.** To the Borrower's knowledge, information and belief, neither this Agreement nor any document, certificate or financial statement furnished to CFC by or on behalf of the Borrower in connection herewith (all such documents, certificates and financial statements, taken as a whole) contains any untrue statement of a material fact or omits to state any material fact necessary in order to make the statements contained herein and therein not misleading.

M. **No Other Liens.** As to property which is presently included in the description of Mortgaged Property, the Borrower has not, without the prior written approval of CFC, executed or authenticated any security agreement or mortgage, or filed or authorized any financing statement to be filed with respect to assets owned by it, other than security agreements, mortgages and financing statements in favor of CFC, except as disclosed in writing to CFC prior to the date hereof or relating to Permitted Encumbrances.

N. **Environmental Matters.** Except as to matters which individually or in the aggregate would not have a material adverse effect upon the business or financial condition of the Borrower or its Subsidiaries, (i) Borrower is in compliance with all Environmental Laws (including, but not limited to, having any required permits and licenses), (ii) there have been no releases (other than releases remediated in compliance with Environmental Laws) from any underground or aboveground storage tanks (or piping associated therewith) that are or were present at the Mortgaged Property, (iii) Borrower has not received written notice or claim of any violation of any Environmental Law, (iv) there is no pending investigation of Borrower in regard to any Environmental Law, and (v) to the best of Borrower's knowledge, there has not been any release or contamination (other than releases or contamination remediated in compliance with Environmental Laws) resulting from the presence of Hazardous Materials on property owned, leased or operated by the Borrower.

O. **Project Agreement.** As set forth in the Project Agreement, the Project constitutes "a qualified project" as defined in Section 54(d)(2)(A) of the Code. As set forth in the Project Agreement,

the Borrower constitutes currently, and will remain through the period that the CREBs remain outstanding, "a Qualified Borrower", meaning a (i) mutual or cooperative electric company described in Sections 501(c)(12) or 1381(a)(2)(C) of the Code, or (ii) a Governmental Body, which is defined as any state, territory possession of the U.S., the District of Columbia, Indian tribal government, and any political subdivision thereof. The statements, information and descriptions contained in the Project Agreement are true, correct and complete, and do not contain any untrue statement or misleading statement of a material fact, and do not omit to state a material fact required to be stated therein or necessary to make the statements, information and descriptions contained therein, in the light of the circumstances under which they were made, not misleading, and the estimates and the assumptions contained in the Project Agreement are reasonable and based on the best information available to the Borrower.

## ARTICLE III

## LOAN

**Section 3.01 Definitions.** For purposes of this Article 3, the following capitalized terms shall have the following meanings:

**"Borrower's Annual Bond Repayment Amount"** shall mean the amount determined by dividing the CFC Commitment by the number of years from the Closing Date to the Maximum CREB Term Anniversary Date, which amount shall be recalculated on the date CFC rescinds any excess moneys pursuant to Section 3.05 or 3.06 hereof.

**"Quarterly Bond Deposit Amount"** shall mean for each Payment Date, the amount determined by subtracting from the Quarterly Bond Repayment Amount the principal amount payable by the Borrower pursuant to Section 3.03.A(ii)(b)(1) on such Payment Date.

**"Quarterly Bond Repayment Amount"** shall mean one-fourth (¼) of the Borrower's Annual Bond Repayment Amount.

**Section 3.02 Advances.** The obligation of the Borrower to repay the Advances shall be evidenced by the Note. The aggregate amount of all Advances made hereunder shall not exceed the CFC Commitment. At the end of the Draw Period, CFC shall have no further obligation to make Advances.

**A. Initial Advance.** Borrower hereby agrees that on the Closing Date, CFC shall automatically, and without action by Borrower, make the Initial Advance. On the Closing Date, CFC shall notify Borrower of the final amount of the Initial Advance and the amount of the CFC Commitment remaining for Borrower to subsequently Advance.

**B. Subsequent Advances.**

(i) The Borrower may submit a request for the Primary Advance to CFC in writing (which may be submitted by facsimile) no later than 12:00 noon local time at CFC's offices in Herndon, Virginia seven Business Days prior to the Closing Date. The Primary Advance may be requested in any amount up to the CFC Commitment. CFC shall make the Primary Advance two Business Days after the Closing Date in the lesser of (i) the aggregate amount of such requested Primary Advance, and (ii) the amount of the CFC Commitment less the amount of the Initial Advance.

(ii) Except as set forth in 3.02.A and 3.02.B(i) hereof, the Borrower shall submit its request for an Advance to CFC in writing (which may be submitted by facsimile) no later than 12:00 noon local time at CFC's offices in Herndon, Virginia at least two (2) Business Days prior to the last Business Day of any calendar month. Borrower may make multiple requests for Advances during any calendar month in any amount so long as the aggregate amount of all Advances requested in such month is in an amount not less than $100,000.00; *provided, however* that at such time as there remains less than $100,000.00 available for Advance hereunder, Borrower may request the entirety of such remaining amount. CFC shall make a single Advance to Borrower on the first Business Day of the calendar month following Borrower's request(s) for an Advance. Such Advance shall be in the aggregate amount of all Advances requested by Borrower in the prior month, *provided however* that at such time as there remains less than $100,000.00 available for Advance hereunder and Borrower requests the entirety of such remaining amount, CFC shall Advance the entirety of such remaining amount.

**Section 3.03 Interest Rate and Payment.** The Note shall be payable and bear interest as follows:

**A. Payments; Maturity; Amortization.**

(i) The Note shall be due and payable on the Maturity Date.

(ii) On each Payment Date, the Borrower shall promptly pay the following:

(a) accrued interest on the principal amount of the Loan outstanding less the amount of the Initial Advance; and

(b) the Quarterly Bond Repayment Amount, consisting of:

(1) the principal amount due on any outstanding Advances, determined on the basis of a quarterly amortization schedule from the date of each Advance; and

(2) the Quarterly Bond Deposit Amount.

(iii) If not sooner paid, any amount due on account of the unpaid principal, interest accrued thereon and fees, if any, shall be due and payable on the Maturity Date.

(iv) Each Advance shall amortize on a level principal payment basis from the date thereof through the Maturity Date.

(v) CFC will furnish to the Borrower a Payment Notice at least ten (10) days before each Payment Date, provided, however, that CFC's failure to send a Payment Notice shall not constitute a waiver by CFC or be deemed to relieve the Borrower of its obligation to make payments as and when due as provided for herein.

(vi) No provision of this Agreement or of any Note shall require the payment, or permit the collection, of interest in excess of the highest rate permitted by applicable law.

Borrower agrees that the records of, and all computations by, CFC (in whatever media they are recorded or maintained) as to the amount of principal, interest, fees and Quarterly Bond Deposit Amount due on the Loan shall be conclusive in the absence of manifest error.

**B. Application of Payments.** Each payment shall be applied to the Loan, first to any fees, costs, expenses or charges other than interest or principal, second to interest accrued, third to the Quarterly Bond Deposit Amount and the balance to principal.

**C. Application of Bond Repayment Deposit.** At such time as the aggregate amount billed by CFC in any calendar year on account of amortized principal under this Agreement exceeds the Borrower's Annual Bond Repayment Amount for such year, CFC shall apply a portion of the Borrower's prior payments of the Quarterly Bond Deposit Amount in the amount of such overage to principal then due. Until such time, Borrower's payments of the Quarterly Bond Deposit Amount shall not reduce the amount of principal outstanding and subject to amortization. Any amount paid by the Borrower under this Agreement on account of the Quarterly Bond Deposit Amount in excess of the principal amount of the fully advanced Loan shall be refunded to the Borrower on the Maturity Date.

**D. Interest Rate Computation.** Each Advance except the Initial Advance shall bear interest at the CFC CREB Rate which shall apply until the Maturity Date. The Initial Advance shall not bear interest. Interest on Advances shall be computed on the basis of a 30-day month and 360-day year.

**Section 3.04. Extraordinary Obligation to Prepay**. Upon a Determination of Tax Credit Ineligibility that subjects the CREBs to an extraordinary mandatory redemption due to a failure of the Borrower to observe any agreement or representation in this Loan Agreement (as more particularly described in paragraph (b) of the defined term "Determination of Tax Credit Ineligibility"), the Borrower shall prepay the Loan, or such part thereof as determined by CFC, at such times and in such amounts as determined by CFC within sixty (60) days of such determination together with a prepayment premium prescribed by CFC pursuant to its policies of general application in effect from time to time.

**Section 3.05. Rescission of Excess Moneys; Fee.** If the Borrower has not drawn down the full amount of the CFC Commitment at (i) the time of filing the Completion Certificate under Section 5.01P. hereof, (ii) the time of filing the Termination Certificate under 5.01Q. hereof, (iii) a Determination of Tax Credit Ineligibility or (iv) the end of the Draw Period, a corresponding rescission of the amount of principal available to be drawn on the Note as calculated by CFC shall automatically be made without further action by the Borrower. CFC shall release the Borrower from its obligations hereunder as to such rescinded portion, provided the Borrower complies with such terms and conditions as CFC may impose for such release including, without limitation, payment of any rescission fee that CFC may from time to time prescribe, pursuant to its policies of general application.

**Section 3.06. Cancellation of Excess Moneys.** If the Borrower has not drawn down the full amount of the CFC Commitment at the time CFC determines that it will cease making Advances hereunder pursuant to Section 7.01 hereof, a corresponding cancellation of the amount of principal available to be drawn on the Note as calculated by CFC shall automatically be made without action by the Borrower.

**Section 3.07. Default Rate.** If Borrower defaults on its obligation to make a payment due hereunder by the applicable Payment Date, and such default continues for thirty days thereafter, then

beginning on the thirty-first day after the Payment Date and for so long as such default continues, Advances shall bear interest at the Default Rate.

**Section 3.08. Patronage Capital; Interest Rate Discounts.** No patronage capital shall be earned, and no interest rate discounts shall apply, to the Loan.

**Section 3.09. Optional Prepayment.** Except for prepayments made pursuant to Section 3.04 hereof, no prepayment of any Advance, in whole or in part, may be made by the Borrower.

## ARTICLE IV

## CONDITIONS OF LENDING

**Section 4.01** The obligation of CFC to make any Advance hereunder is subject to satisfaction of the following conditions in form and substance satisfactory to CFC:

**A. Legal Matters.** All legal matters incident to the consummation of the transactions hereby contemplated shall be satisfactory to counsel for CFC.

**B. Documents.** CFC shall have been furnished with (i) the executed Loan Documents, (ii) certified copies of all such organizational documents and proceedings of the Borrower authorizing the transactions hereby contemplated as CFC shall require, (iii) an opinion of counsel for the Borrower addressing such legal matters as CFC shall reasonably require, and (iv) all other such documents as CFC may reasonably request.

**C. Government Approvals.** The Borrower shall have furnished to CFC true and correct copies of all certificates, authorizations, consents, permits and licenses from Governmental Authorities necessary for the execution or delivery of the Loan Documents or performance by the Borrower of the obligations thereunder.

**D. Representations and Warranties.** The representations and warranties contained in Article II shall be true on the date of the making of each Advance hereunder with the same effect as though such representations and warranties had been made on such date; no Event of Default and no event which, with the lapse of time or the notice and lapse of time would become such an Event of Default, shall have occurred and be continuing or will have occurred after giving effect to each Advance on the books of the Borrower; there shall have occurred no material adverse change in the business or condition, financial or otherwise, of the Borrower; and nothing shall have occurred which in the opinion of CFC materially and adversely affects the Borrower's ability to perform its obligations hereunder.

**E. Mortgage Recordation.** The Mortgage (and any amendments, supplements or restatements as CFC may require from time to time) shall have been duly filed, recorded or indexed in all jurisdictions necessary (and in any other jurisdiction that CFC shall have reasonably requested) to provide CFC a lien, subject to Permitted Encumbrances, on all of the Borrower's real property, all in accordance with applicable law, and the Borrower shall have paid all applicable taxes, recording and filing fees and caused satisfactory evidence thereof to be furnished to CFC.

**F. UCC Filings.** Uniform Commercial Code financing statements (and any continuation statements and other amendments thereto that CFC shall require from time to time) shall have been duly filed, recorded or indexed in all jurisdictions necessary (and in any other jurisdiction that CFC

shall have reasonably requested) to provide CFC a perfected security interest, subject to Permitted Encumbrances, in the Mortgaged Property which may be perfected by the filing of a financing statement, all in accordance with applicable law, and the Borrower shall have paid all applicable taxes, recording and filing fees and caused satisfactory evidence thereof to be furnished to CFC.

G. **Requisitions.** The Borrower will requisition each Advance by submitting its written requisition to CFC in the form attached as Exhibit A hereto. Requisitions for Advances shall be made only for the purposes set forth in Schedule 1 hereto.

H. **Other Information.** The Borrower shall have furnished such other information as CFC may reasonably require, including but not limited to (i) information regarding the specific purpose for an Advance and the use thereof, (ii) feasibility studies, cash flow projections, financial analyses and pro forma financial statements sufficient to demonstrate to CFC's reasonable satisfaction that after giving effect to the Advance requested, the Borrower shall continue to achieve the DSC ratio set forth in Section 5.01.A herein, to meet all of its debt service obligations, and otherwise to perform and to comply with all other covenants and conditions set forth in this Agreement, and (iii) any other information as CFC may reasonably request. CFC's obligation to make any Advance hereunder is conditioned upon prior receipt and approval of the Borrower's written requisition and other information and documentation, if any, as CFC may have requested pursuant to this paragraph.

I. **Issuance of Bonds.** CFC shall have issued CREBs in an amount not less than the CFC Commitment.

J. **CREB Allocation.** CFC shall have received an allocation in the amount of the CFC Commitment from the U.S. Department of Treasury for the Borrower's Project under its Securities program.

K. **Tax Credit Ineligibility.** There shall have occurred no Determination of Tax Credit Ineligibility with regard to the Borrower or the Project.

L. **Bring Down Certificate.** Two (2) Business Days prior to the Closing Date, the Borrower shall furnish CFC with a certificate of an Authorized Officer of the Borrower in the form of Exhibit B hereto, certifying that all of the representations and warranties set forth in Article II hereof are true on the Closing Date.

## ARTICLE V

## COVENANTS

**Section 5.01 Affirmative Covenants.** The Borrower covenants and agrees with CFC that until payment in full of the Note and performance of all obligations of the Borrower hereunder:

A. **Financial Ratios; Design of Rates.** The Borrower shall achieve an Average DSC Ratio of not less than 1.35. The Borrower shall not decrease its rates for electric service if it has failed to achieve a DSC Ratio of 1.35 for the calendar year prior to such reduction subject only to an order from a Governmental Authority properly exercising jurisdiction over the Borrower.

B. **Loan Proceeds.** The Borrower shall use the proceeds of this Loan solely for the purposes identified on Schedule 1 hereto.

C. **Notice.** The Borrower shall promptly notify CFC in writing of:

(i) any material adverse change in the business, operations, prospects, assets, liabilities or financial condition of the Borrower;

(ii) the institution or threat of any litigation or administrative proceeding of any nature involving the Borrower which could materially affect the business, operations, prospects, assets, liabilities or financial condition of the Borrower;

(iii) the occurrence of an Event of Default hereunder, or any event that, with the giving of notice or lapse of time, or both, would constitute an Event of Default.

D. **Default Notices.** Upon receipt of any notices with respect to a default by the Borrower under the terms of any evidence of any indebtedness with parties other than CFC or of any loan agreement, mortgage or other agreement relating thereto, the Borrower shall deliver copies of such notice to CFC.

E. **Annual Certificates.**

(i) Within one hundred twenty (120) days after the close of each calendar year, commencing with the year in which the initial Advance hereunder shall have been made, the Borrower will deliver to CFC a written statement, in form and substance satisfactory to CFC, signed by the Borrower's General Manager or Chief Executive Officer, stating that during such year, and that to the best of said person's knowledge, the Borrower has fulfilled all of its obligations under this Agreement, the Project Agreement, the Note, and the Mortgage throughout such year or, if there has been a default in the fulfillment of any such obligations, specifying each such default known to said person and the nature and status thereof.

(ii) The Borrower shall deliver to CFC within one hundred twenty (120) days of CFC's written request, which shall be no more frequently than once every year, a certification, in form and substance satisfactory to CFC, regarding the condition of the Mortgaged Property prepared by a professional engineer satisfactory to CFC. The Borrower shall also deliver to CFC such other information as CFC may reasonably request from time to time.

F. **Loan Capital Term Certificate Purchase.** The Borrower will purchase LCTCs, if required, in an amount calculated pursuant to CFC's policies of general application and shall pay for such LCTCs as required thereby. CFC's policies with respect to such LCTCs are set forth in Schedule 1.

G. **Financial Books; Financial Reports; Right of Inspection.** The Borrower will at all times keep, and safely preserve, proper books, records and accounts in which full and true entries will be made of all of the dealings, business and affairs of the Borrower, in accordance with Accounting Requirements. When requested by CFC, the Borrower will prepare and furnish CFC from time to time, periodic financial and statistical reports on its condition and operations. All of such reports shall be in such form and include such information as may be specified by CFC. Within one hundred twenty (120) days of the end of each calendar year during the term hereof, the Borrower shall furnish to CFC a full and complete report of its financial condition and statement of its operations as of the end of such calendar year, in form and substance satisfactory to CFC. In addition, within one hundred twenty (120) days of the end of each the Borrower's fiscal years during the term hereof, the Borrower shall furnish to CFC a full and complete consolidated and consolidating report of its financial condition and statement of its operations as of the end of such fiscal year,

audited and certified by independent certified public accountants nationally recognized or otherwise satisfactory to CFC and accompanied by a report of such audit in form and substance satisfactory to CFC, including without limitation a consolidated and consolidating balance sheet and the related consolidated and consolidating statements of income and cash flow. CFC, through its representatives, shall at all times during reasonable business hours and upon prior notice have access to, and the right to inspect and make copies of, any or all books, records and accounts, and any or all invoices, contracts, leases, payrolls, canceled checks, statements and other documents and papers of every kind belonging to or in the possession of the Borrower or in anyway pertaining to its property or business.

H. **Notice of Additional Secured Debt.** The Borrower will notify CFC promptly in writing if it incurs any additional secured indebtedness other than indebtedness to CFC or indebtedness otherwise provided for in the Mortgage.

I. **Funds Requisition.** The Borrower agrees (i) that CFC may rely conclusively upon the written instructions submitted to CFC in the Borrower's written request for an Advance hereunder, (ii) that such instructions shall constitute a covenant under this Agreement to repay the Advance in accordance with such instructions, the applicable Note, the Mortgage, the Project Agreement and this Agreement, and (iii) to request Advances only for the purposes set forth in Schedule 1 hereto.

J. **Compliance With Laws.** The Borrower and each Subsidiary shall remain in compliance, in all material respects, with all applicable requirements of law and applicable rules and regulations of each Governmental Authority.

K. **Taxes.** The Borrower shall pay, or cause to be paid all taxes, assessments or governmental charges lawfully levied or imposed on or against it and its properties prior to the time they become delinquent, except for any taxes, assessments or charges that are being contested in good faith and with respect to which adequate reserves as determined in good faith by the Borrower have been established and are being maintained.

L. **Further Assurances.** The Borrower shall execute any and all further documents, financing statements, agreements and instruments, and take all such further actions (including the filing and recording of financing statements, fixture filings, mortgages, deeds of trust and other documents), which may be required under any applicable law, or which CFC may reasonably request, to effectuate the transactions contemplated by the Loan Documents or to grant, preserve, protect or perfect the Liens created or intended to be created thereby. The Borrower also agrees to provide to CFC, from time to time upon request, evidence reasonably satisfactory to CFC as to the perfection and priority of the Liens created or intended to be created by the Loan Documents.

M. **Environmental Covenants.** Borrower shall:

(i) at its own cost, comply in all material respects with all applicable Environmental Laws, including, but not limited to, any required remediation; and

(ii) if it receives any written communication alleging Borrower's violation of any Environmental Law, provide CFC with a copy thereof within ten (10) Business Days after receipt, and promptly take appropriate action to remedy, cure, defend, or otherwise affirmatively respond to the matter.

N. **Limitations on Loans, Investments and Other Obligations.** The aggregate amount of all purchases, investments, loans, guarantees, commitments and other obligations described in

Section 5.02.D(i) of this Agreement shall at all times be less than fifteen percent (15%) of Total Utility Plant or fifty percent (50%) of Equity, whichever is greater.

**O. Tax Status of the CREBs.** The Borrower shall utilize the Project or cause it to be utilized as provided in the Project Agreement until the CREB Maturity Date. No use will be made of the proceeds of the CREBs other than as set forth herein and in the Project Agreement and no changes will be made in the Project or in the operation or beneficial use thereof (including, without limiting the generality of the foregoing, the use of the Project by the Borrower or any related person) without an opinion of Bond Counsel that such a use or change will not adversely affect the eligibility of the CREBs to qualify for a tax credit for the owner thereof, for federal income tax purposes. The Borrower agrees and warrants that it will not take or authorize or permit any action to be taken and has not taken or authorized or permitted any action to be taken and will not fail to take any action to comply with the Project Agreement which adversely affects the eligibility of the CREBs to qualify for a tax credit for the owner thereof, for federal income tax purposes. This agreement and warranty shall survive the termination of this Agreement.

**P. Completion Certificate.** The Borrower shall submit to CFC within 30 days after the completion of the Project, a Completion Certificate signed by an Authorized Officer of the Borrower.

**Q. Termination Certificate.** If the Borrower determines that the Project will not be completed as described in Section 5.01.P above, then the Borrower shall submit to CFC a Termination Certificate, within 30 days of a determination that:

(i) no further acquisition, construction or installation will occur with respect to the Project; and

(ii) the Borrower does not intend to make any further Advances.

**R. Other Information.** The Borrower shall furnish such other information as CFC may reasonably require relating to the Project.

**Section 5.02 Negative Covenants.** The Borrower covenants and agrees with CFC that until payment in full of the Note and performance of all obligations of the Borrower hereunder, the Borrower will not, directly or indirectly, without CFC's prior written consent:

**A. Limitations on Mergers.** Consolidate with, merge, or sell all or substantially all of its business or assets, or enter into an agreement for such consolidation, merger or sale, to another entity or person unless such action is either approved, as is evidenced by the prior written consent of CFC, or the purchaser, successor or resulting corporation is or becomes a member in good standing of CFC and assumes the due and punctual payment of the Note and the due and punctual performance of the covenants contained in the Mortgage and this Agreement.

**B. Limitations on Sale, Lease or Transfer of Capital Assets; Application of Proceeds.** Sell, lease or transfer (or enter into an agreement to sell, lease or transfer) any capital asset, except in accordance with this Section 5.02.B. If no Event of Default (and no event which with notice or lapse of time and notice would become an Event of Default) shall have occurred and be continuing, the Borrower may, without the prior written consent of CFC, sell, lease or transfer (or enter into an agreement to sell, lease or transfer) any capital asset in exchange for fair market value consideration paid to the Borrower if the value of such capital asset is less than five percent (5%) of Total Utility Plant and the aggregate value of capital assets sold, leased or transferred in any 12-month period is less than ten percent (10%) of Total Utility Plant.

**C. Limitation on Dividends, Patronage Refunds and Other Distributions.**

(i) Make Distributions in any calendar year if, after giving effect to the Distribution, the total Equity of the Borrower will be less than twenty percent (20%) of its Total Assets.

(ii) If, after giving effect to the Distribution, the total Equity of the Borrower will be less than twenty percent (20%) of its Total Assets, then the Borrower may nevertheless make Distributions of up to thirty percent (30%) of its total margins for the preceding calendar year.

(iii) Notwithstanding anything to the contrary in subparagraphs (i) and (ii) above, the Borrower shall not make any Distribution without the prior written consent of CFC if an Event of Default under this Agreement has occurred and is continuing.

**D. Limitations on Loans, Investments and Other Obligations.**

(i) (a) Purchase, or make any commitment to purchase, any stock, bonds, notes, debentures, or other securities or obligations of or beneficial interests in, (b) make, or enter into a commitment to make, any other investment, monetary or otherwise, in, (c) make, or enter into a commitment to make, any loan to, or (d) guarantee, assume, or otherwise become liable for, or enter into a commitment to guarantee, assume, or otherwise become liable for, any obligation of any Person if, after giving effect to such purchase, investment, loan, guarantee or commitment, the aggregate amount thereof would exceed the greater of fifteen percent (15%) of Total Utility Plant or fifty percent (50%) of Equity.

(ii) The following shall not be included in the limitation of purchases, investments, loans and guarantees in (i) above: (a) bonds, notes, debentures, stock, or other securities or obligations issued by or guaranteed by the United States or any agency or instrumentality thereof; (b) bonds, notes, debentures, stock, commercial paper, subordinated capital certificates, or any other security or obligation issued by CFC or by institutions whose senior unsecured debt obligations are rated by at least two nationally recognized rating organizations in either of their two highest categories; (c) investments incidental to loans made by CFC; (d) any deposit that is fully insured by the United States; (e) loans and grants made by any Governmental Authority to the Borrower under any rural economic development program, but only to the extent that such loans and grants are non-recourse to the Borrower; and (f) unretired patronage capital allocated to the Borrower by CFC, a cooperative from which the Borrower purchases electric power, or a statewide cooperative association of which Borrower is a member.

(iii) In no event may the Borrower take any action pursuant to subsection (i) if an Event of Default under this Agreement has occurred and is continuing,

**E. Organizational Change.** Change its type of organization or other legal structure, except as permitted by Section 5.02.A. hereof, in which case the Borrower shall provide at least 30 days prior written notice to CFC together with all documentation reflecting such change as CFC may reasonably require.

**F. Notice of Change in Borrower Information.** Change its (i) state of incorporation, (ii) legal name, (iii) mailing address, or (iv) organizational identification number, if it has one, unless the Borrower provides written notice to CFC at least thirty (30) days prior to the effective date of any such change together with all documentation reflecting any such change as CFC may reasonably require.

## ARTICLE VI

## EVENTS OF DEFAULT

**Section 6.01** The following shall be "Events of Default" under this Agreement:

**A. Representations and Warranties.** Any representation or warranty made by the Borrower herein, or in any of the other Loan Documents, or in any certificate or financial statement furnished to CFC hereunder or under any of the other Loan Documents shall prove to be false or misleading in any material respect.

**B. Payment.** The Borrower shall fail to pay (whether upon stated maturity, by acceleration, or otherwise) any principal, interest, premium (if any) or other amount payable under the Note and the Loan Documents within five (5) Business Days after the due date thereof.

**C. Other Covenants.**

**(i) No Grace Period.** Failure of the Borrower to observe or perform any covenant or agreement contained in the Project Agreement or in Sections 5.01.A, 5.01.B, 5.01.D, 5.01.E, 5.01.G, 5.01.I, 5.01.N, 5.01.O and 5.02 of this Agreement.

**(ii) Thirty Day Grace Period.** Failure of the Borrower to observe or perform any other covenant or agreement contained in this Agreement or any of the other Loan Documents, which shall remain unremedied for thirty (30) calendar days after written notice thereof shall have been given to the Borrower by CFC.

**D. Legal Existence, Permits and Licenses.** The Borrower shall forfeit or otherwise be deprived of (i) its authority to conduct business in the jurisdiction in which it is organized or in any other jurisdiction where such authority is required in order for the Borrower to conduct its business in such jurisdiction or (ii) permits, easements, consents or licenses required to carry on any material portion of its business.

**E. Other CFC Obligations.** The Borrower shall be in breach or default of any Obligation, which breach or default continues uncured beyond the expiration of any applicable grace period.

**F. Other Obligations.** The Borrower shall (i) fail to make any payment of any principal, premium or any other amount due or interest on any indebtedness with parties other than CFC which shall remain unpaid beyond the expiration of any applicable grace period, or (ii) be in breach or default with respect to any other term of any evidence of any other indebtedness with parties other than CFC or of any loan agreement, mortgage or other agreement relating thereto which breach or default continues uncured beyond the expiration of any applicable grace period, if the effect of such failure, default or breach is to cause the holder or holders of that indebtedness to cause that indebtedness to become or be declared due prior to its stated maturity (upon the giving or receiving of notice, lapse of time, both or otherwise).

**G. Involuntary Bankruptcy.** An involuntary case or other proceeding shall be commenced against the Borrower seeking liquidation, reorganization or other relief with respect to it or its debts under bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property and such involuntary case or other proceeding shall continue without dismissal or

stay for a period of sixty (60) days; or an order for relief shall be entered against the Borrower under the federal bankruptcy laws or applicable state law as now or hereafter in effect.

H. **Insolvency.** The Borrower shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall admit in writing its inability to, or be generally unable to, pay its debts as they become due, or shall take any action to authorize any of the foregoing.

I. **Dissolution or Liquidation.** Other than as provided in subsection H. above, the dissolution or liquidation of the Borrower, or failure by the Borrower promptly to forestall or remove any execution, garnishment or attachment of such consequence as will impair its ability to continue its business or fulfill its obligations and such execution, garnishment or attachment shall not be vacated within sixty (60) days. The term "dissolution or liquidation of the Borrower", as used in this subsection, shall not be construed to include the cessation of the corporate existence of the Borrower resulting either from a merger or consolidation of the Borrower into or with another corporation following a transfer of all or substantially all its assets as an entirety, under the conditions set forth in Section 5.02.A.

J. **Material Adverse Change.** Any material adverse change in the business or condition, financial or otherwise, of the Borrower.

K. **Monetary Judgment.** The Borrower shall suffer any money judgment not covered by insurance, writ or warrant of attachment or similar process involving an amount in excess of $100,000 and shall not discharge, vacate, bond or stay the same within a period of sixty (60) days.

L. **Nonmonetary Judgment.** One or more nonmonetary judgments or orders (including, without limitation, injunctions, writs or warrants of attachment, garnishment, execution, distraint, replevin or similar process) shall be rendered against the Borrower that, either individually or in the aggregate, could reasonably be expected to have a material adverse effect upon the business, operations, prospects, assets, liabilities or financial condition of the Borrower.

## ARTICLE VII

## REMEDIES

**Section 7.01** If any of the Events of Default listed in Section 6 hereof shall occur after the date of this Agreement and shall not have been remedied within the applicable grace periods specified therein, then CFC may:

(i) Cease making Advances hereunder;

(ii) Declare all unpaid principal outstanding on the Note, all accrued and unpaid interest thereon, and all other Obligations to be immediately due and payable and the same shall thereupon become immediately due and payable without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived;

(iii) Exercise rights of setoff or recoupment and apply any and all amounts held, or hereby held, by CFC or owed to the Borrower or for the credit or account of the Borrower against any and all of the Obligations of the Borrower now or hereafter existing hereunder or under the Note, including, but not limited to, patronage capital allocations and retirements, money due to Borrower from equity certificates purchased from CFC, and any membership or other fees that would otherwise be returned to Borrower but excluding any LCTCs purchased by the Borrower pursuant to this Agreement. The rights of CFC under this section are in addition to any other rights and remedies (including other rights of setoff or recoupment) which CFC may have. The Borrower waives all rights of setoff, deduction, recoupment or counterclaim;

(iv) Pursue all rights and remedies available to CFC that are contemplated by the Mortgage and the other Loan Documents in the manner, upon the conditions, and with the effect provided in the Mortgage and the other Loan Documents, including, but not limited to, a suit for specific performance, injunctive relief or damages;

(v) Pursue any other rights and remedies available to CFC at law or in equity.

Nothing herein shall limit the right of CFC to pursue all rights and remedies available to a creditor following the occurrence of an Event of Default. Each right, power and remedy of CFC shall be cumulative and concurrent, and recourse to one or more rights or remedies shall not constitute a waiver of any other right, power or remedy.

## ARTICLE VIII

## MISCELLANEOUS

**Section 8.01 Notices.** All notices, requests and other communications provided for herein including, without limitation, any modifications of, or waivers, requests or consents under, this Agreement shall be given or made in writing (including, without limitation, by telecopy) and delivered to the intended recipient at the "Address for Notices" specified below; or, as to any party, at such other address as shall be designated by such party in a notice to each other party. All such communications shall be deemed to have been duly given (i) when personally delivered including, without limitation, by overnight mail or courier service, (ii) in the case of notice by United States mail, certified or registered, postage prepaid, return receipt requested, upon receipt thereof, or (iii) in the case of notice by telecopy, upon transmission thereof, provided such transmission is promptly confirmed by either of the methods set forth in clauses (i) or (ii) above in each case given or addressed as provided for herein. The Address for Notices of each of the respective parties is as follows:

National Rural Utilities Cooperative Finance Corporation
2201 Cooperative Way
Herndon, Virginia 20171-3025
Attention: Senior Vice President – Member Services
Fax # 703-709-6776

The Borrower:

The address set forth in
Schedule 1 hereto

**Section 8.02 Expenses.** Borrower shall reimburse CFC for any reasonable costs and out-of-pocket expenses paid or incurred by CFC (including, without limitation, reasonable fees and expenses of outside attorneys, paralegals and consultants) for all actions CFC takes, (a) to enforce the payment of any Obligation, to effect collection of any Mortgaged Property, or in preparation for such enforcement or collection, (b) to institute, maintain, preserve, enforce and foreclose on CFC's security interest in or Lien on any of the Mortgaged Property, whether through judicial proceedings or otherwise, (c) to restructure any of the Obligations, (d) to review, approve or grant any consents or waivers hereunder, (e) to prepare, negotiate, execute, deliver, review, amend or modify this Agreement, (f) to prepare, negotiate, execute, deliver, review, amend or modify any other agreements, documents and instruments deemed necessary or appropriate by CFC in connection with any of the foregoing, and (g) to obtain any opinions required to be furnished upon a Determination of Tax Credit Ineligibility and an extraordinary prepayment as set forth in Section 3.04 hereof or a rescission of excess money as set forth in Section 3.05 or a cancellation of excess moneys as set forth in Section 3.06.

The amount of all such expenses identified in this Section 8.02 shall be secured by the Mortgage and shall be payable upon demand, and if not paid, shall accrue interest at the Default Rate.

**Section 8.03 Late Payments.** If payment of any amount due hereunder is not received at CFC's office in Herndon, Virginia, or such other location as CFC may designate to the Borrower within five (5) Business Days after the due date thereof, the Borrower will pay to CFC, in addition to all other amounts due under the terms of the Loan Documents, any late payment charge as may be fixed by CFC from time to time pursuant to its policies of general application as in effect from time to time.

**Section 8.04. Non-Business Day Payments.** If any payment to be made by the Borrower hereunder shall become due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall be included in computing any interest in respect of such payment.

**Section 8.05 Filing Fees.** To the extent permitted by law, the Borrower agrees to pay all expenses of CFC (including the reasonable fees and expenses of its counsel) in connection with the filing, registration, recordation or perfection of the Mortgage and any other security instruments as may be required by CFC in connection with this Agreement, including, without limitation, all documentary stamps, recordation and transfer taxes and other costs and taxes incident to execution, filing, registration or recordation of any document or instrument in connection herewith. The Borrower agrees to save harmless and indemnify CFC from and against any liability resulting from the failure to pay any required documentary stamps, recordation and transfer taxes, recording costs, or any other expenses incurred by CFC in connection with this Agreement. The provisions of this subsection shall survive the execution and delivery of this Agreement and the payment of all other amounts due under the Loan Documents.

**Section 8.06 Waiver; Modification.** No failure on the part of CFC to exercise, and no delay in exercising, any right or power hereunder or under the other Loan Documents shall operate as a waiver thereof, nor shall any single or partial exercise by CFC of any right hereunder, or any abandonment or discontinuance of steps to enforce such right or power, preclude any other or further exercise thereof or the exercise of any other right or power. No modification or waiver of any provision of this Agreement, the Note or the other Loan Documents and no consent to any departure by the Borrower therefrom shall in any event be effective unless the same shall be in writing by the

party granting such modification, waiver or consent, and then such modification, waiver or consent shall be effective only in the specific instance and for the purpose for which given.

**SECTION 8.07 GOVERNING LAW; SUBMISSION TO JURISDICTION; WAIVER OF JURY TRIAL.**

(A) THE PERFORMANCE AND CONSTRUCTION OF THIS AGREEMENT AND THE NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE COMMONWEALTH OF VIRGINIA.

(B) THE BORROWER HEREBY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF THE UNITED STATES COURTS LOCATED IN VIRGINIA AND OF ANY STATE COURT SO LOCATED FOR PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. THE BORROWER IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTIONS THAT IT MAY NOW OR HEREAFTER HAVE TO THE ESTABLISHING OF THE VENUE OF ANY SUCH PROCEEDINGS BROUGHT IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

(C) THE BORROWER AND CFC EACH HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

**SECTION 8.08 INDEMNIFICATION.** THE BORROWER HEREBY INDEMNIFIES AND AGREES TO HOLD HARMLESS, AND DEFEND CFC AND ITS MEMBERS, DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, ATTORNEYS AND REPRESENTATIVES (EACH AN "INDEMNITEE") FOR, FROM, AND AGAINST ALL CLAIMS, DAMAGES, LOSSES, LIABILITIES, COSTS, AND EXPENSES (INCLUDING, WITHOUT LIMITATION, COSTS AND EXPENSES OF LITIGATION AND REASONABLE ATTORNEYS' FEES) ARISING FROM ANY CLAIM OR DEMAND IN RESPECT OF THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS, THE MORTGAGED PROPERTY, OR THE TRANSACTIONS DESCRIBED IN THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS AND ARISING AT ANY TIME, WHETHER BEFORE OR AFTER PAYMENT AND PERFORMANCE OF ALL OBLIGATIONS UNDER THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS IN FULL, EXCEPTING ANY SUCH MATTERS ARISING SOLELY FROM THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF CFC OR ANY INDEMNITEE INCLUDING WITHOUT LIMITATION ANY DETERMINATION MADE OR OTHER ACTION TAKEN BY CFC PURSUANT TO SECTIONS 3.04, 3.05 and 3.06 OF THIS AGREEMENT. NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN SECTION 8.10 HEREOF, THE OBLIGATIONS IMPOSED UPON THE BORROWER BY THIS SECTION SHALL SURVIVE THE REPAYMENT OF THE NOTE, THE TERMINATION OF THIS AGREEMENT AND THE TERMINATION OR RELEASE OF THE LIEN OF THE MORTGAGE.

**Section 8.09 Complete Agreement.** This Agreement, together with the schedules to this Agreement, the Note and the other Loan Documents, and the other agreements and matters referred to herein or by their terms referring hereto, is intended by the parties as a final expression of their agreement and is intended as a complete statement of the terms and conditions of their agreement. In the event of any conflict in the terms and provisions of this Agreement and any other Loan Documents, the terms and provisions of this Agreement shall control.

**Section 8.10 Survival; Successors and Assigns.** All covenants, agreements, representations and warranties of the Borrower which are contained in this Agreement shall survive the execution and delivery to CFC of the Loan Documents and the making of the Loan hereunder and shall continue in full force and effect until all of the obligations under the Loan Documents have been paid in full. All covenants, agreements, representations and warranties of the Borrower which are contained in this Agreement shall inure to the benefit of the successors and assigns of CFC. The Borrower shall not have the right to assign its rights or obligations under this Agreement without the prior written consent of CFC, except as provided in Section 5.02.A hereof.

**Section 8.11 Use of Terms.** The use of the singular herein shall also refer to the plural, and vice versa.

**Section 8.12 Headings.** The headings and sub-headings contained in this Agreement are intended to be used for convenience only and do not constitute part of this Agreement.

**Section 8.13 Severability.** If any term, provision or condition, or any part thereof, of this Agreement, the Note or the other Loan Documents shall for any reason be found or held invalid or unenforceable by any governmental agency or court of competent jurisdiction, such invalidity or unenforceability shall not affect the remainder of such term, provision or condition nor any other term, provision or condition, and this Agreement, the Note and the other Loan Documents shall survive and be construed as if such invalid or unenforceable term, provision or condition had not been contained therein.

**Section 8.14 Binding Effect.** This Agreement shall become effective when it shall have been executed by both the Borrower and CFC and thereafter shall be binding upon and inure to the benefit of the Borrower and CFC and their respective successors and assigns.

**Section 8.15 Counterparts.** This Agreement may be executed in one or more counterparts, each of which will be deemed an original and all of which together will constitute one and the same document. Signature pages may be detached from the counterparts and attached to a single copy of this Agreement to physically form one document.

**Section 8.16 Disclosure.** This Agreement and any other Loan Document may be shared by CFC with such Persons as shall be required in order to facilitate the issuance of the CREBs, including, but not limited to, its attorneys, underwriters and investors in the CREBs.

**Section 8.17 Schedule 1.** Schedule 1 attached hereto is an integral part of this Agreement.

**IN WITNESS WHEREOF,** the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

SULPHUR SPRINGS VALLEY
ELECTRIC COOPERATIVE, INC.

(SEAL)

By: Gene Manning

Title: President

Attest: _____
~~Secretary~~

CREDEN W. HUBER
CHIEF EXECUTIVE OFFICER

NATIONAL RURAL UTILITIES
COOPERATIVE FINANCE CORPORATION

(SEAL)

By: Marianne Dusold
Assistant Secretary-Treasurer

Attest: _____
Assistant Secretary-Treasurer

## SCHEDULE 1

1. The purpose of this loan is to finance (i) the reimbursement of the cost of the Project of the Borrower, including any reasonable costs and expenses incurred by the Borrower in connection with financing the Project, as described and permitted by the terms of the Project Agreement and (ii) a portion of CFC's costs in issuing the CREBs as set forth in Section 3.02.A.

2. The Project of the Borrower being financed by the Loan (funded by proceeds of the CREBs) constitutes the following clean renewable energy facilities:

   University of Arizona South District Photovoltaic Solar Automobile Parking Shade Structure

   This project will place a photovoltaic module that will produce 23 kW of electricity in the shade structure at the University of Arizona South School. The PV structure will provide electricity to the school with excess power flowing to the Borrower's system.

3. Subject to the terms of this Agreement, CFC has agreed to loan to the Borrower from proceeds of the CREBs, an amount not to exceed $280,000.00 (the "CFC Commitment").

4. Draw Period shall mean the period beginning on the Closing Date and ending on the date that is five (5) years thereafter.

5. The Borrower shall not purchase the LCTCs or any portion thereof with funds from the Loan. The Borrower shall use its own funds or funds borrowed under another credit facility to purchase such LCTCs, subject to the CFC policies regarding LCTCs set forth in the following paragraph.

   **CFC Policies Regarding LCTCs:** (i) Any solvent Member of CFC with an outstanding LCTC purchased in connection with a loan from the proceeds of Securities may borrow the outstanding amount of the LCTC from CFC without a further credit review, for a term equal to or shorter than the maturity of the LCTC at a rate equal to the comparable rate charged by CFC for similarly classified loans; and (ii) any Member of CFC with an outstanding LCTC purchased in connection with a loan from the proceeds of Securities may sell such LCTC to another Member of CFC for consideration.

6. The Mortgage shall mean the Restated Mortgage and Security Agreement, dated as of December 6, 2007, between the Borrower and CFC, as it may have been supplemented, amended, consolidated, or restated from time to time.

7. The Note executed pursuant hereto is as follows:

| LOAN NUMBER | AMOUNT |
|---|---|
| AZ014-A-9049-CB001 | $280,000.00 |

8. The Subsidiaries of the Borrower referred to in Section 2.01.B. are: None

9. The date of the Borrower's balance sheet referred to in Section 2.01.H is June 30, 2006.

10. The Borrower's exact legal name is: Sulphur Springs Valley Electric Cooperative, Inc.

11. The Borrower's organizational type is: Corporation

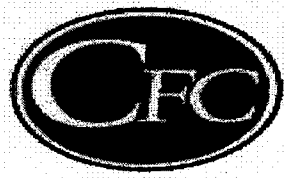
12. The Borrower is organized under the laws of the state of: Arizona

13. The Borrower's organizational identification number is: 0038220-2

14. The place of business or, if more than one, the chief executive office of the Borrower referred to in Section 2.01.I is 311 East Wilcox, Sierra Vista, Arizona 85635.

15. The Governmental Authority referred to in Section 2.01.J. is: Arizona Corporation Commission

16. The address for notices to the Borrower referred to in Section 8.01 is 311 East Wilcox, Sierra Vista, Arizona 85635, Attention: General Manager, Fax: (520) 384-5223.



## Exhibit A - Funds Requisition Statement

Borrower Name & ID: Sulphur Springs Valley Electric Cooperative, Inc. (AZ014)
Loan Number: AZ014-A-9049-CB001
Loan Agreement and Project Agreement with CFC dated:
CREBs Series: 2008A
CFC CREBs Application #: 19
Name of Project: University of Arizona South District Photovoltaic Solar Automobile Parking Shade Structure
Funds Requisition Statement No.:

**Amount Requested:**
**Date Of Advance:**

**Disposition of Funds (wiring instructions):**

### Certification

Acting on behalf of the Borrower, I hereby certify that as of the date below: (1) I am duly authorized to make this certification and to request funds on the terms specified herein; (2) the Borrower has met all of the conditions contained in the Loan Agreement and the Project Agreement listed above governing the terms of this Advance that the Borrower is required to meet prior to an Advance of funds; (3) all of the representations and warranties contained in said Loan Agreement and Project Agreement are true and will continue to be true upon use of the funds as hereby requested; (4) no Event of Default, under the Loan Agreement or the Borrower's Mortgage, has occurred and is continuing; (5) I know of no other event that has occurred which, with the lapse of time and/or notification to CFC of such event, or after giving effect to this Advance, would become an Event of Default under the Loan Agreement or the Borrower's Mortgage; (6) the funds requested herein will be used only as a reimbursement for the purposes specified in the Loan Agreement and the Project Agreement; (7) the costs to be reimbursed by the funds requested herein are capital expenditures and have not previously been reimbursed under a previous Funds Requisition Statement; (8) the Borrower has secured sufficient funds to complete the Project; (9) any necessary permits and approvals required for the Project at this point have been obtained; (10) the Borrower is maintaining a file containing true and correct copies of invoices or bills of sale covering all items for which payment is sought by this request; (11) such costs have been incurred and paid by the Borrower in connection with the Project; (12) the Borrower is not using the funds requested hereby to make any payments of principal or interest due under the Loan Agreement; (13) no expenditure which is being reimbursed by the funds requested hereby was paid more than eighteen months after the later of (i) the date the expenditure is paid or (ii) the date the Project is placed in service, but in no event later than three years after the date the original expenditure was paid; and (14) set forth below is a table listing all of the major components of the Project, how much is being requested in this Funds Requisition Statement as an advance for certain components, how much has been

advanced on each component to date, the percentage of each component that is completed to date, and the purpose of the advance(s) being requested by this Funds Requisition Statement.

I hereby authorize CFC, for and on behalf of the Borrower, to forward this Funds Requisition Statement to the Trustee for disbursement of the Advance from the Project Account relating to the above Loan to the Borrower on the following terms, and hereby acknowledge and agree that such terms shall be binding upon Borrower under the provisions of the Loan Agreement governing this Advance:

| Project Component | Amount Expended to Date by Borrower | Amount Advanced to Date | Advance Amount Requested Herein | Percentage Complete |
|---|---|---|---|---|
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| Total | | | | |

Certified By:

_____ _____ _____

Signature Date Title of Authorized Officer

**PLEASE FAX TO 703-709-6776 ATTN: _____, Associate Vice President**

APPROVED:

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION

By: _____
Title: _____
Date: _____

**EXHIBIT B**

**BRING-DOWN CERTIFICATE**
**OF**
**BORROWER**

The undersigned, _____, duly qualified officers of SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (the *"Borrower"*), an Arizona corporation, hereby certify as follows:

1. The following documents have been duly executed, and delivered or accepted in the name and on behalf of the Borrower by the authorized officer or officers of the Borrower pursuant to, and in full compliance with, authority granted by the Board of Trustees/Directors of the Borrower:

| DOCUMENT | DATE | OTHER PARTY OR PARTIES |
|---|---|---|
| Loan Agreement (the *"Agreement"*) | _____, 200_ | National Rural Utilities Cooperative Finance Corporation (*"CFC"*) |
| Project Agreement (the *"Project Agreement"*) | _____, 200_ | |
| Note (the *"Note"*) | _____, 200_ | |

2. Each of the representations and warranties of the Borrower in the Loan Agreement and the Project Agreement are true and correct on and as of the date hereof (the *"Closing Date"*), and the Borrower has complied with all agreements and satisfied all conditions on its part to be observed or satisfied thereunder at or prior to the Closing Date.

IN WITNESS WHEREOF, the undersigned have hereunto set their signatures this ____ day of _____, 2008.

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

By _____
Title:

By _____
Title:

**EXHIBIT C**

**COMPLETION CERTIFICATE**
**OF**
**BORROWER**

Pursuant to the Loan Agreement dated as of _____ by and between SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (the "Borrower") and National Rural Utilities Cooperative Finance Corporation ("CFC") relating to CFC Loan Number AZ014-A-9049-CB001 (the "Loan Agreement"), the undersigned, _____, duly qualified officer of the Borrower, hereby certifies as follows:

(i) On [date of completion] all portions of the Project (as defined in the Loan Agreement) have been fully completed substantially in accordance with any plans and specifications therefore, as then amended; and

(ii) Amount advanced on the Loan (as defined in the Loan Agreement) and the use of the property financed, refinanced or reimbursed therefrom will not cause any of the representations or certifications contained in the Project Agreement (as defined in the Loan Agreement) to be untrue or result in a violation of any covenant in the Project Agreement.

IN WITNESS WHEREOF, the undersigned have hereunto set his/her signature this ____ day of _____, 20____.

SULPHUR SPRINGS VALLEY ELECTRIC
COOPERATIVE, INC.

By _____
Title:

**EXHIBIT D**

**TERMINATION CERTIFICATE**
**OF**
**BORROWER**

Pursuant to the Loan Agreement dated as of _____ by and between SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (the "Borrower") and National Rural Utilities Cooperative Finance Corporation ("CFC") relating to CFC Loan Number AZ014-A-9049-CB001 (the "Loan Agreement"), the undersigned, _____, duly qualified officer of the Borrower, hereby certifies as follows:

(i) all portions of the Project (as defined in the Loan Agreement) have not been fully completed substantially in accordance with any plans and specifications therefor, as then amended;

(ii) no further acquisition, construction or installation will occur with respect to the Project (as defined in the Loan Agreement); and

(iii) the Borrower does not intend to request any further Advances (as defined in the Loan Agreement) on the Loan (as defined in the Loan Agreement).

IN WITNESS WHEREOF, the undersigned have hereunto set his/her signature this ____ day of _____, 20____.

SULPHUR SPRINGS VALLEY ELECTRIC
COOPERATIVE, INC.

By _____
Title:

**SECURED PROMISSORY NOTE**

$280,000.00 dated as of 12/21/2007

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC., an Arizona corporation (the "Borrower"), for value received, hereby promises to pay, without setoff, deduction, recoupment or counterclaim, to the order of NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION (the "Payee"), at its office in Herndon, Virginia office or such other location at its office in Herndon, Virginia or such other location as the Payee may designate to the Borrower, in lawful money of the United States, the principal sum of TWO HUNDRED EIGHTY THOUSAND AND 00/100 DOLLARS ($280,000.00), or such lesser sum of the aggregate unpaid principal amount of all advances made by the Payee pursuant to that certain Loan Agreement dated as of even date herewith between the Borrower and the Payee, as it may be amended from time to time (herein called the "Loan Agreement"), and to pay interest on all amounts remaining unpaid hereunder from the date of each advance in like money, at said office, at the rate and in amounts and payable on the dates provided in the Loan Agreement together with any other amount payable under the Loan Agreement. If not sooner paid, any balance of the principal amount and interest accrued thereon shall be due and payable on the Maturity Date.

This Note is secured under a Restated Mortgage and Security Agreement, dated of December 6, 2007, between the Borrower and the Payee, as it may have been or shall be supplemented, amended, consolidated or restated from time to time ("Mortgage"). This Note is one of the Notes referred to in, and has been executed and delivered pursuant to, the Loan Agreement.

The principal hereof and interest accrued thereon and any other amount due under the Loan Agreement may be declared to be forthwith due and payable in the manner, upon the conditions, and with the effect provided in the Mortgage or the Loan Agreement.

The Borrower waives demand, presentment for payment, notice of dishonor, protest, notice of protest, and notice of non-payment of this Note.

IN WITNESS WHEREOF the Borrower has caused this Note to be signed in its corporate name and its corporate seal to be hereunto affixed and to be attested by its duly authorized officers, all as of the day and year first above written.

SULPHUR SPRINGS VALLEY
ELECTRIC COOPERATIVE, INC.

(SEAL)

By: Gene Manning

Title: President

Attest: [signature]
~~Secretary~~

CREDEN W. HUBER
CHIEF EXECUTIVE OFFICER

Loan No. AZ014-A-9050-CB001

CFC NOTE
AZ014-A-9050-CB001 (JABLONJ)
116045-2

**PROJECT AGREEMENT**

**OF**

**SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (THE *"BORROWER"*)**

DATED: as of 12/21/2007

The undersigned is a duly qualified officer of the Borrower named above and, as such officer, is familiar with (i) the properties, affairs and records of the Borrower, (ii) the issuance of the Securities (as hereinafter defined) and the use of the proceeds thereof as it relates to the Borrower and (iii) the Project, as hereinafter defined.

In connection with the issuance of the Clean Renewable Energy Bonds (Cooperative Renewable Energy Projects) Series 2008A (the *"Securities"*), being issued by the National Rural Utilities Cooperative Finance Corporation (the *"Issuer"*), the undersigned hereby certifies and covenants regarding the use of the proceeds of the Securities advanced to the Borrower, as follows:

1. General.

1.1 This Project Agreement is made pursuant to Section 54 of the Internal Revenue Code of 1986, as amended (the *"Code"*), and any United States Treasury regulations and other guidance thereunder to make the certifications required by Section 54 of the Code and any United Stares Treasury regulations and other guidance thereunder and to establish the reasonable expectations of the Borrower with respect to the amount and use of amounts to be advanced to the Borrower pursuant to the Loan Agreement dated as of even date herewith between the Issuer and the Borrower (the *"Loan Agreement"*). Capitalized terms used herein are defined where they first appear or are defined in *Exhibit A* attached hereto.

1.2 This Project Agreement is based on facts and estimates in existence on the date hereof and the continued veracity of these facts and estimates as of the date that the Securities are issued (the *"Closing"*) will be confirmed by the Borrower on the date of Closing, and on the basis of such facts and estimates, the Borrower expects that the events described herein will occur. To the best of the undersigned's knowledge, information, and belief, the expectations contained in this Project Agreement are reasonable.

1.3 The Borrower is a Qualified Borrower, as defined in *Exhibit A,* and is responsible for the acquiring/constructing/equipping of the Project (defined below). The undersigned has reviewed this Project Agreement, as well as the provisions of Section 54 of the Code and any United States Treasury regulations and other guidance thereunder, with its own legal counsel and understands and is familiar with this Project Agreement and the provisions of Section 54 and any United States Treasury regulations and other guidance thereunder. The Borrower will

comply in all respects with the provisions of Section 54 and any United States Treasury regulations and other guidance thereunder.

1.4 The Borrower agrees to keep and retain or cause to be kept and retained sufficient records to demonstrate compliance with the covenants in this Project Agreement. Such records shall include, but are not limited to, basic records relating to the issuance of the Securities (including this Project Agreement and the inducement resolution as described in Section 3.3 hereof); documentation evidencing the expenditure of amounts advanced to the Borrower pursuant to the Loan Agreement; documentation evidencing the use of property financed with amounts advanced to the Borrower pursuant to the Loan Agreement; and documentation evidencing all sources of payment or security maintained by the Borrower for amounts advanced to the Borrower pursuant to the Loan Agreement. Such records shall be kept until the date three (3) years after the CREB Maturity Date.

1.5 Neither the Borrower nor any Related Person (as defined in Exhibit A) to the Borrower will purchase any Securities.

2. Qualified Project.

2.1 The Loan Agreement requires the amounts advanced thereunder to be used for facilities to be owned by the Borrower, described in more detail in Section 2.2 hereof and in *Exhibit B* attached hereto as the "Updated Description of the Project" (the *"Project"*). The Project was originally described in an exhibit to the Application for National Clean Renewable Energy Bond Limitation submitted to the Internal Revenue Service by the Issuer in support of the national clean renewable energy bond allocation received by the Issuer, which "Original Description of the Project" is attached hereto as *Exhibit C*.

2.2 The Project is a Solar Energy Facility (the *"Qualifying Facility"*), as defined in *Exhibit A* and property functionally related and subordinate thereto, as further described in *Exhibit B*, attached hereto.

3. Clean Renewable Energy Bonds Qualification.

3.1 At least 95 percent of the proceeds advanced to the Borrower pursuant to the Loan Agreement will be used by the Borrower for capital expenditures with respect to the Project. None of the proceeds of the Loan (as defined in the Loan Agreement) will be paid to the Issuer, the Borrower or any Related Person to the Issuer or the Borrower, except for amounts paid to the Borrower to reimburse the Borrower for actual and direct expenditures relating to the Project paid by the Borrower to persons other than the Issuer, the Borrower or any Related Person to the Issuer or the Borrower.

3.2 The Borrower has incurred or will, within six months of the Closing Date, incur a substantial binding obligation (not subject to contingencies within the control of the Issuer, the Borrower or any Related Person to either of them) to a third party

to expend at least ten percent of the Loan Amount (*i.e.* the total amount to be advanced to the Borrower pursuant to the Loan Agreement). It is expected that the work of acquiring/constructing/equipping the Project and the expenditure of the Loan Amount will proceed with due diligence through November 3, 2008, at which time it is anticipated that the Loan Amount will have been spent in its entirety. The Borrower acknowledges that, to the extent that less than 95 percent of the Loan Amount is expended by a date five years from the date of issuance of the Securities, the Borrower will be required to prepay its Loan in an amount, and the Issuer will redeem Securities at the end of such five-year period in an amount, necessary to maintain the tax credit with respect to the Securities, unless otherwise permitted by Section 6.5 hereof.

It is expected that all amounts advanced to the Borrower under the Loan Agreement will be spent to pay costs of the Project in accordance with the estimated periodic drawdown schedule contained in *Exhibit D,* attached hereto. The assumptions set forth in this Section 3.2 and on *Exhibit D,* attached hereto, represent the Borrower's best estimate, as of this date, of the periodic drawdown schedule of the Loan Amount.

3.3 The Borrower may use amounts advanced to the Borrower under the Loan Agreement to reimburse itself for expenditures paid prior to the date of issuance of the Securities. The Borrower shall reimburse itself for expenditures paid prior to the date of issuance of the Securities only if such expenditure was paid after the Borrower adopted an inducement resolution, and the expenditure is described in such inducement resolution.

**The Borrower shall use proceeds of the Loan to reimburse itself for expenditures paid prior to the date the Securities were issued only if such reimbursement is made within eighteen months after the later of (i) the date the expenditure is paid or (ii) the date the Project is placed in service, but in no event later than three years after the date the original expenditure was paid.**

Except for any reimbursement allowed under this Section 3.3, no portion of the proceeds advanced to the Borrower will be used to pay for expenditures relating to acquiring existing facilities (as contrasted with costs of enhancements, repair or rehabilitation of existing facilities).

3.4 Neither the Project nor any portion thereof has been, is expected to be, or will be sold or otherwise disposed of, in whole or in part, prior to the last maturity date of the Securities.

3.5 The Borrower has entered into the Loan Agreement of even date hereof under which it is committed to borrow $280,000 from the Issuer of the Securities and the Borrower reasonably expects to borrow and expend the full amount of such commitment.

3.6 At least 75% of the Loan Amount is expected to be used for Construction Purposes.

3.7 The Borrower will not use proceeds of the Loan (i) to pre-pay for goods or services to be received over a period of years prior to the date such goods or services are to be received, or (ii) to pay for or otherwise acquire goods or services from an Affiliated Person, as defined in *Exhibit A*.

3.8 The Borrower shall at all times be a Qualified Borrower.

4. Remedial Action.

4.1 The Borrower agrees to operate the Project as a Qualifying Facility.

The Borrower acknowledges that if property financed with proceeds of the Securities advanced to the Borrower is operated in a manner other than as a Qualifying Facility such operation may constitute a "deliberate action" that may require remedial actions to prevent the tax credit being produced by the Securities from being disallowed.

The Borrower shall promptly contact the Issuer as provided in Section 6.3 hereof if it considers operating property financed with proceeds of the Loan other than as a Qualifying Facility.

4.2 The Borrower acknowledges that if property financed with proceeds of the Loan is sold or otherwise disposed of in a manner contrary to the provisions of Section 3.4 hereof, such sale or disposition may constitute a "deliberate action" that may require remedial actions to prevent the tax credit being produced by the Securities from being disallowed. If the Borrower considers the sale or other disposition of property financed with proceeds of the Loan, it shall promptly contact the Issuer, in the manner set forth in Section 6.3 hereof.

5. Funds and Accounts; Investments.

5.1 After the issuance of the Securities, neither the Borrower nor any Related Person to the Borrower has or will have any property, including cash, securities or any other property held as a passive vehicle for the production of income or for investment purposes, that constitutes:

(i) amounts that have a sufficiently direct nexus to the Securities or to the governmental purpose of the Securities to conclude that the amounts would have been used for that governmental purpose if the Securities were not used or to be used for that governmental purpose (the mere availability or preliminary earmarking of such amounts for a governmental purpose, however, does not itself establish such a sufficient nexus);

(ii) amounts in a debt service fund, redemption fund, reserve fund, replacement fund or any similar fund to the extent reasonably expected to be used directly or indirectly to pay principal of or interest on the Securities or any amounts for which there is provided, directly or indirectly, a reasonable assurance that the amount will be available to pay principal of or interest on the Securities or any credit enhancement or liquidity device with respect to the Securities, even if the Issuer, the Borrower or any Related Person to either of them encounter financial difficulties; or

(iii) any amounts held pursuant to any agreement (such as an agreement to maintain certain levels of types of assets) made for the benefit of the holders of the Securities or any credit enhancement provider, including any liquidity device or negative pledge (*e.g.*, any amount pledged to pay principal of or interest on an issue held under an agreement to maintain the amount at a particular level for the direct or indirect benefit of holders of the Securities or a guarantor of the Securities).

No compensating balance, liquidity account, negative pledge of property held for investment purposes required to be maintained at least at a particular level or similar arrangement exists with respect to, in any way, the Securities or any credit enhancement or liquidity device related to the Securities.

5.2 During the acquiring/constructing/equipping of the Project, the Borrower will only draw down amounts from the Issuer for capital expenditures already paid by the Borrower.

5.3 Neither the Borrower nor any Related Person to the Borrower will enter into any hedge (*e.g.*, an interest rate swap, interest rate cap, futures contract, forward contract or an option) with respect to the Loan or the Securities.

5.4 All property subject to the Mortgage is and will be used by the Borrower in the conduct of its trade or business. The Borrower reasonably expects to repay the Loan from current operating revenues. The Mortgage does not require that cash, securities, obligations, annuity contracts or other property held principally as a passive vehicle for the production of income be maintained, individually or collectively, at any particular level.

6. Miscellaneous.

6.1 This Project Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia.

6.2 Prior to the date 15 days before the Securities were sold, neither the Borrower nor any Related Person to the Borrower has sold or delivered any obligations that are reasonably expected to be paid out of substantially the same source of funds as the Securities. Neither the Borrower nor any Related Person to the Borrower will sell

or deliver within 15 days after the date hereof any obligations that are reasonably expected to be paid out of substantially the same source of funds as the Securities.

6.3 All notices provided for herein shall be given or made in writing (including, without limitation, by telecopy) and delivered to the Issuer at the "Address for Notices" specified below. All such communications shall be deemed to have been duly given (i) when personally delivered including, without limitation, by overnight mail or courier service, (ii) in the case of notice by United States mail, certified or registered, postage prepaid, return receipt requested, upon receipt thereof, or (iii) in the case of notice by telecopy, upon transmission thereof, provided such transmission is promptly confirmed by either of the methods set forth in clauses (i) or (ii) above in each case given or addressed as provided for herein. The Address for Notices of the Issuer is as follows:

National Rural Utilities Cooperative Finance Corporation
2201 Cooperative Way
Herndon, Virginia 20171-3025
Attention: Senior Vice President – Member Services
Fax #703-709-6776

6.4 The Borrower represents that it has not been contacted by the Internal Revenue Service or any issuer of bonds, the proceeds of which were loaned to the Borrower regarding any examination of any tax exempt bonds issued for the benefit of the Borrower. To the best of the knowledge of the Borrower, no such obligations of the Borrower are currently under examination by the Internal Revenue Service.

6.5 Any restriction or covenant contained herein need not be observed or may be changed if such nonobservance or change will not result in the loss of any tax credit under Section 54 of the Code for the purpose of federal income taxation to which the Securities is otherwise entitled and the Borrower receives an opinion of Bond Counsel to such effect and the Issuer agrees to such nonobservance or change.

6.6 If any clause, provision or section of this Project Agreement is ruled invalid by any court of competent jurisdiction, the invalidity of such clause, provision or section shall not affect any of the remaining clauses, sections or provisions hereof.

6.7 The terms, provisions, covenants and conditions of this Project Agreement shall bind and inure to the benefit of the respective successors and assigns of the Issuer and the Borrower.

6.8 This Project Agreement shall terminate on the date three (3) years after the CREB Maturity Date.

The undersigned acknowledge that this Project Agreement is given as a basis for an opinion of the law firm of Chapman and Cutler LLP, Chicago, Illinois, and such firm is hereby authorized to rely on this Project Agreement.

DATED as of the day and year first above written.

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

By Gene Manning

Title President

## EXHIBIT A

## DEFINITIONS

*"Affiliated Person"* means any Person that (a) at any time during the six months prior to the Closing Date, (i) has more than five percent of the voting power of the governing body of the Issuer or the Borrower in the aggregate vested in its directors, officers, owners, and employees or (ii) has more than five percent of the voting power of its governing body in the aggregate vested in directors, officers, board members, owners, members or employees of the Issuer or the Borrower or (b) during the one-year period beginning six months prior to the Closing Date, (i) the composition of the governing body of which is modified or established to reflect (directly or indirectly) representation of the interests of the Issuer or the Borrower (or for which an agreement, understanding, or arrangement relating to such a modification or establishment during that one-year period) or (ii) the composition of the governing body of the Issuer or the Borrower is modified or established to reflect (directly or indirectly) representation of the interests of such Person (or for which an agreement, understanding, or arrangement relating to such a modification or establishment during that one-year period).

*"Bond Counsel"* means Chapman and Cutler LLP or any other nationally recognized firm of attorneys experienced in the field of municipal obligations whose opinions are generally accepted by purchasers of municipal obligations.

*"Closing Date"* means the date the Issuer issues the Securities.

*"Code"* means the Internal Revenue Code of 1986, as amended.

*"Constructed Personal Property"* means tangible personal property (or, if acquired pursuant to a single acquisition contract, properties) or Specially Developed Computer Software if (i) a substantial portion of the property or properties is completed more than six (6) months after the earlier of the date construction or rehabilitation commenced and the date the Borrower entered into an acquisition contract; (ii) based on the reasonable expectations of the Borrower, if any, or representations of the person constructing the property, with the exercise of due diligence, completion of construction or rehabilitation (and delivery to the issuer) could not have occurred within that six-month period; and (iii) if the Borrower itself builds or rehabilitates the property, not more than 75 percent of the capitalizable cost is attributable to property acquired by the Borrower (*e.g.,* components, raw materials, and other supplies).

*"Construction Purposes"* means capital expenditures that are allocable to the cost of Real Property or Constructed Personal Property. Except as provided in the next succeeding sentence, construction expenditures do not include expenditures for acquisitions of interests in land or other existing real property. Expenditures are not for the acquisition of an interest in existing real property other than land if the contract between the seller and the Borrower requires the seller to build or install the property (*e.g.,* a *turnkey contract*), but only to the extent that the property has not been built or installed at the time the parties enter into the contract.

*"Control"* means the possession, directly or indirectly through others, of either of the following discretionary and non-ministerial rights or powers over another entity (i) to approve and to remove without cause a controlling portion of the governing body of a Controlled Entity, or (ii) to require the use of funds or assets of a Controlled Entity for any purpose.

*"Controlled Entity"* means any entity or one of a group of entities that is subject to Control by a Controlling Entity or group of Controlling Entities.

*"Controlled Group"* means a group of entities directly or indirectly subject to Control by the same entity or group of entities, including the entity that has the Control of the other entities.

*"Controlling Entity"* means any entity or one of a group of entities directly or indirectly having Control of any entities or group of entities.

*"CREB Maturity Date"* shall have the meaning ascribed to it in the Loan Agreement.

*"Governmental Body"* means any State, territory, possession of the United States, the District of Columbia, Indian tribal government, and any political subdivision thereof.

*"Mortgage"* means the mortgage and security agreement applicable to substantially all of the property of the Borrower.

*"Qualified Borrower"* means (i) a mutual or cooperative electric company described in Sections 501(c)(12) or 1381(a)(2)(C) of the Code, or (ii) a Governmental Body (as defined above).

*"Real Property"* means land and improvements to land, such as buildings or other inherently permanent structures, including interests in real property. For example, real property includes wiring in a building, plumbing systems, central heating or air-conditioning systems, pipes or ducts, elevators, escalators installed in a building, paved parking areas, roads, wharves and docks, bridges, and sewage lines.

*"Related Person"* means any member of the same Controlled Group as the Issuer or the Borrower and any person related to the Issuer or a Borrower within the meaning of Section 144(a)(3) of the Code.

*"Solar Energy Facility"* means a facility using solar energy to produce electricity.

*"Specially Developed Computer Software"* means any programs or routines used to cause a computer to perform a desired task or set of tasks, and the documentation required to describe and maintain those programs, provided that the software is specially developed and is functionally related and subordinate to real property or other constructed personal property.

*"Tangible Personal Property"* means any tangible property other than real property, including interests in tangible personal property. For example, tangible personal property

includes machinery that is not a structural component of a building, subway cars, fire trucks, automobiles, office equipment, testing equipment, and furnishings.

## EXHIBIT B

## UPDATED DESCRIPTION OF THE PROJECT

| | |
|---|---|
| CFC Application | No. 20 Sulphur Springs Valley EC, Inc. |
| Bond Proceeds Needed for Project: | $280,000 |
| Bond Allocation Requested and Received: | $280,000 |
| Name of Project | Valley Union School District Photovoltaic Solar Automobile Parking Shade Structure |
| Project Street Address | Valley Union High School<br>4088 Jefferson Road<br>Elfrida, AZ 85610 |
| Phone | (520) 642-3492 |
| Fax | (520) 642-3523 |
| County | Cochise County |
| Individual Name to Contact | Jack Blair |
| Company Name | Sulphur Springs Valley Electric Cooperative, Inc. |
| Street Address | 311 E. Wilcox Drive |
| City, State, Zip | Sierra Vista, AZ 85635 |
| Telephone Number | (520) 515-3470 |
| Fax | (520) 458-3467 |

Updated Detailed Description of the Project:

A cantilevered shade structure at a school on the top of which will be constructed a 23kW solar photovoltaic system to supply power to the school. Excess power will flow on to the SSVEC system.

## EXHIBIT C

## ORIGINAL DESCRIPTION OF THE PROJECT

## [COPY OF EXHIBIT A TO ISSUER APPLICATION TO THE IRS]
## CLEAN RENEWABLE ENERGY BONDS APPLICATION
## EXHIBIT A

## SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

## VALLEY UNION SCHOOL DISTRICT PHOTOVOLTAIC SOLAR SHADE STRUCTURE

This project will place a photovoltaic module costing $280,000, that will produce 23 kW of electricity in the shade structures in the one Valley Union School District school. The PV structure will provide electricity to the respective school at no charge. There will also be a cable connection to a computer in the library of each school to show students how the system is working.

This project is the identical project that Navopache Electric Cooperative in Arizona built in 2001 that continues to function with no issues/problems.

SSVEC will operate and maintain the structure. Any excess power produced will flow back to the SSVEC grid.

The PV structures at the schools will significantly reduce their electric bills, which have been disproportionately large due to the per meter monthly surcharges mandated by the Environmental Portfolio Program (EPP), and approved by the Arizona Corporation Commission. All customers pay the EPP fees to SSVEC, which uses them to fund renewable energy projects. Since each school has many meters, they pay the EPP a disproportionately large amount of dollars. The benefit of reduced electric bills will offset their payments into the fund.

The RFP issued by Sulphur Springs Valley Electric Cooperative follows.

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.
A TOUCHSTONE ENERGY® COOPERATIVE

FOR THE ELECTRIC COOPERATIVES IN THE STATE OF ARIZONA

# REQUEST
# A
# PROPOSAL

FOR

## A PHOTOVOLTAIC SYSTEM
## USED FOR
## SHADE STRUCTURES
## FOR
## PUBLIC BUILDINGS

**ISSUED: AUGUST 1,2005**

Narrative: The Electric Cooperatives in Arizona (Duncan Valley EC, Graham County EC, Mohave EC, Navopache EC, Sulphur Springs Valley EC, Trico EC and Arizona Electric Power Cooperative, Inc.) request a proposal for a modular designed system to supply a 10 kW to 30 kW Photovoltaic (PV) system. System size is relative to the space available for the PV panels on each site. System may consist of multiple free standing modules interconnected to meet the 10 to 30 kW size requirement. Modules to be used as free standing carports or free standing covers for walkways to provide shade. These systems are to be used at public buildings to increase the awareness of PV systems and operations and systems will be sized based on the available space. Base pricing for 10, 15, 20, 25, and 30 kW systems are requested (systems may be rounded to the nearest 5kW increment). The interconnection cost from the PV system to nearest distribution panel will be on a case by case basis due to the variation in sites. This RFP is not all-inclusive and contractor may include other specifications or requirements they feel are necessary for a successful venture.

This RFP is released on August 1, 2005 and response must be in a written proposal by October 1, 2005. For questions or clarification of details please contact Albert Gomez (520-515-3473) or David Bane (520-515-3472).

SCOPE OF WORK -THE CONTRACTOR WILL BE RESPONSIBLE FOR THE FOLLOWING:

- Structural design of the supporting PV structures (carport and walkway)
- One line circuit diagrams for approval by local Cooperative's engineering department
- Complete wiring diagrams (to be included in owner manual)
- Isolation transformers as needed to meet the NEC
- Purchase and installation of all components
- Systems test period of 4-6 weeks prior to transfer of title of equipment to site owner
- Any required Permits (Cooperative will reimburse actual cost of permits)

- Inverter must disconnect in the event grid power is lost
- Lockable safety switch located between the inverter and meter socket

TRAINING REQUIREMENTS:

The Contractor will provide sufficient time with the site owner to explain how to disconnect the system, locate inverter, identify all junction boxes between the modules, and identify any system warning lights or displays. Contractor will also provide system manual with basic operating instructions and all the associated warranty information and manufacturer contacts listed.

## EXHIBIT D

## MONTHLY DRAWDOWN SCHEDULE OF AMOUNTS TO BE ADVANCED TO THE BORROWER PURSUANT TO THE LOAN AGREEMENT

| DATE ON WHICH PROCEEDS ARE EXPECTED TO BE EXPENDED | AMOUNTS OF PROCEEDS TO BE EXPENDED |
|---|---|
| November 3, 2008 | $280,000 |

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

To

NATIONAL RURAL UTILITIES
COOPERATIVE FINANCE CORPORATION
Issuer

# LOAN AGREEMENT

Dated as of 12/21, 2007

Clean Renewable Energy Bonds
(Cooperative Renewable Energy Projects) Series 2008A
of National Rural Utilities Cooperative Finance Corporation

CFC LOANAG
AZ014-A-9050-CB001 (JABLONJ)
117614-2

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EXHIBIT D TERMINATION CERTIFICATE OF BORROWER

## LOAN AGREEMENT

**LOAN AGREEMENT** (this "Agreement") dated as of _____, between SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. ("Borrower"), a corporation organized and existing under the laws of the State of Arizona and NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION ("CFC"), a cooperative association organized and existing under the laws of the District of Columbia.

## RECITALS

**WHEREAS,** the Borrower has applied to CFC for a loan for the purposes set forth in Schedule 1 hereto, and CFC is willing to make such a loan to the Borrower on the terms and conditions stated herein; and

**WHEREAS,** the Borrower has agreed to execute a promissory note to evidence an indebtedness in the aggregate principal amount of the CFC Commitment (as hereinafter defined).

**NOW, THEREFORE,** for and in consideration of the premises and the mutual covenants hereinafter contained, the parties hereto agree and bind themselves as follows:

## ARTICLE I

## DEFINITIONS

**Section 1.01** For purposes of this Agreement, the following capitalized terms shall have the following meanings (such definitions to be equally applicable to the singular and the plural form thereof). Capitalized terms that are not defined herein shall have the meanings as set forth in the Mortgage.

**"Accounting Requirements"** shall mean any system of accounts prescribed by a federal regulatory authority having jurisdiction over the Borrower or, in the absence thereof, the requirements of GAAP applicable to businesses similar to that of the Borrower.

**"Advance"** shall mean each advance of funds by CFC to the Borrower pursuant to the terms and conditions of this Agreement, including the Initial Advance and the Primary Advance.

**"Authorized Officer of the Borrower"** means the Chairman, General Manager or Chief Financial Officer of the Borrower or any other person authorized by the Board of the Borrower so to act or any other person performing a function similar to the function performed by any such officer or authorized person.

**"Average DSC Ratio"** shall mean the average of the Borrower's two highest annual DSC Ratios during the most recent three calendar years.

**"Bond Counsel"** means an attorney at law or a firm of attorneys (designated by CFC and acceptable to the Trustee) of nationally recognized standing in matters pertaining to the tax-exempt nature of interest or tax credits on bonds issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of any state of the United States of America.

**"Business Day"** shall mean any day that both CFC and the depository institution CFC utilizes for funds transfers hereunder are open for business.

**"CFC Commitment"** shall have the meaning as defined in Schedule 1.

**"CFC CREB Rate"** shall mean the interest rate charged by CFC for loans made by CFC from proceeds of the CREBs which rate shall not exceed one hundred and fifty basis points (150/100 of 1%) per annum.

**"Closing Date"** shall mean the date CFC issues the CREBs.

**"Code"** shall mean the Internal Revenue Code of 1986, as supplemented and amended.

**"Completion Certificate"** shall mean the certificate of the Borrower required by Section 5.01.P of this Agreement, substantially in the form of Exhibit C hereto.

**"CREBs"** shall mean the series of Securities issued by CFC to provide financing for the Project.

**"CREB Maturity Date"** shall mean the maturity date of the CREBs, which shall be the December 15th prior to the Maximum CREB Term Anniversary Date.

**"Debt Service Coverage ("DSC") Ratio"** shall mean the ratio determined as follows: for any calendar year add (i) Operating Margins, (ii) Non-Operating Margins–Interest, (iii) Interest Expense, (iv) Depreciation and Amortization Expense, and (v) cash received in respect of generation and transmission and other capital credits, and divide the sum so obtained by the sum of all payments of Principal and Interest Expense required to be made during such calendar year; provided, however, that in the event that any amount of Long-Term Debt has been refinanced during such year, the payments of Principal and Interest Expense required to be made during such year on account of such refinanced amount of Long-Term Debt shall be based (in lieu of actual payments required to be made on such refinanced amount of Long-Term 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 payment of Principal and Interest Expense required to be made during the following year on account of such refinancing debt.

**"Default Rate"** shall mean a rate per annum equal to one hundred and fifty basis points (150/100 of 1%).

**"Depreciation and Amortization Expense"** shall mean an amount constituting the depreciation and amortization of the Borrower computed pursuant to Accounting Requirements.

**"Determination of Tax Credit Ineligibility"** shall mean a determination that a particular series of Securities does not qualify for a tax credit for the owner thereof under Section 54 of the Code, which determination shall be deemed to have been made upon the occurrence of the first to occur of the following:

(a) the date on which CFC determines that there is a significant likelihood that a particular series of Securities may not qualify for a tax credit, if such determination is supported by a written opinion of Bond Counsel to that effect; or

(b) the date on which CFC shall receive notice in writing that the Trustee has been advised by the owner of any Security that a particular series of Securities does not qualify for a tax credit for the owner thereof, based upon a final determination made either by: (A) the Internal Revenue Service in a published or private ruling or technical advice memorandum or (B) any court of competent jurisdiction in the United States of America, as a result of a failure by CFC or any borrower to observe any agreement or representation in the Tax Compliance Agreement or a Loan Agreement or Project Agreement relating to the proceeds of the Securities. Any such determination will not be considered final for this purpose unless the Owner of the Securities involved in the proceeding or action resulting in the determination (i) gives CFC and the Trustee prompt written notice of the commencement thereof and (ii) if CFC agrees to pay all expenses in connection therewith and to indemnify such Owner of the Securities against all liabilities in connection therewith, offers CFC an opportunity to contest the determination, either directly or in the name of the Owner of the Securities, and until conclusion of any review, if sought.

**"Distributions"** shall mean, with respect to the Borrower, any dividend, patronage refund, patronage capital retirement or cash distribution to its members, or consumers (including but not limited to any general cancellation or abatement of charges for electric energy or services furnished by the Borrower). The term "Distribution" shall *not* include (a) a distribution by the Borrower to the estate of a deceased patron, (b) repayment by the Borrower of a membership fee upon termination of a membership, or (c) any rebate to a patron resulting from a cost abatement received by the Borrower, such as a reduction of wholesale power cost previously incurred.

**"Draw Period"** shall have the meaning as described in Schedule 1 hereto.

**"Environmental Laws"** shall mean all laws, rules and regulations promulgated by any Governmental Authority, with which Borrower is required to comply, regarding the use, treatment, discharge, storage, management, handling, manufacture, generation, processing, recycling, distribution, transport, release of or exposure to any Hazardous Material.

**"Equity"** shall mean the aggregate of the Borrower's equities and margins computed pursuant to Accounting Requirements.

**"Event of Default"** shall have the meaning as described in Article VI hereof.

**"Funds Requisition Statement"** shall mean the certificate of the Borrower, in the form set forth as Exhibit A to this Agreement, by which the Borrower will obtain an advance of funds from CFC under the Loan.

**"GAAP"** shall mean generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board.

**"Governmental Authority"** shall mean the government of the United States of America, any other nation or government, any state or other political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

**"Hazardous Material"** shall mean any (a) petroleum or petroleum products, radioactive materials, asbestos-containing materials, polychlorinated biphenyls, lead and radon gas, and (b) any

other substance designated as hazardous or toxic or as a pollutant or contaminant under any Environmental Law.

**"Indenture"** shall mean the Indenture between CFC and U.S. Bank Trust Company National Association, relating to the first issue of Securities, pursuant to which the Securities, including the CREBs are issued, as supplemented and amended.

**"Initial Advance"** shall mean the Advance made by CFC on the Closing Date pursuant to Section 3.02.A hereof to fund a portion of CFC's costs in issuing the CREBs attributable to the CFC Commitment, including, but not limited to, original issue discount, underwriting discount and other costs of issuance, including, without limitation, rating agency costs and legal, underwriting and Trustee expenses.

**"Interest Expense"** shall mean an amount constituting the interest expense with respect to Long-Term Debt of the Borrower computed pursuant to Accounting Requirements. 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 Restricted Rentals paid by the Borrower over 2% of the Borrower's Equity.

**"Lien"** shall mean any statutory or common law consensual or non-consensual mortgage, pledge, security interest, encumbrance, lien, right of set off, claim or charge of any kind, including, without limitation, any conditional sale or other title retention transaction, any lease transaction in the nature thereof and any secured transaction under the Uniform Commercial Code.

**"Loan"** shall mean the loan made by CFC to the Borrower, pursuant to this Agreement and the Note, in an aggregate principal amount not to exceed the CFC Commitment.

**"Loan Capital Term Certificate" or "LCTC"** shall mean a certificate, or book entry form of account, evidencing the Borrower's purchase of equity in CFC.

**"Loan Documents"** shall mean this Agreement, the Note, the Mortgage, the Project Agreement and all other documents or instruments executed, delivered or executed and delivered by the Borrower and evidencing, securing, governing or otherwise pertaining to, the Loan.

**"Long-Term Debt"** shall mean an amount constituting the long-term debt of the Borrower computed pursuant to Accounting Requirements.

**"Maturity Date"** shall mean the Payment Date immediately prior to the CREB Maturity Date permitted for the CREBs under Section 54(e)(2) of the Code as in effect on the Closing Date.

**"Maximum CREB Term Anniversary Date"** shall mean the anniversary of the Closing Date that occurs at the maximum term permitted for the CREBs under Section 54(e)(2) of the Code as in effect on the Closing Date.

**"Mortgage"** shall have the meaning as described in Schedule 1 hereto.

**"Mortgaged Property"** shall have the meaning ascribed to it in the Mortgage.

**"Non-Operating Margins--Interest"** shall mean the amount representing the interest component of non-operating margins of the Borrower computed pursuant to Accounting Requirements.

**"Note"** shall mean the secured promissory note, payable to the order of CFC, executed by the Borrower, dated as of even date herewith, pursuant to this Agreement as identified on Schedule 1 hereto and shall include any substitute note or modification thereto.

**"Obligations"** shall mean any and all liabilities, obligations or indebtedness owing by the Borrower to CFC, of any kind or description, irrespective of whether for the payment of money, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising.

**"Operating Margins"** shall mean the amount of patronage capital and operating margins of the Borrower computed pursuant to Accounting Requirements.

**"Payment Date"** shall mean the first (1st) day of each of March, June and September and December.

**"Payment Notice"** shall mean a notice furnished by CFC to the Borrower that indicates the amount of each payment of interest or interest and principal and the total amount of each payment due.

**"Permitted Encumbrances"** shall have the meaning ascribed to it in the Mortgage.

**"Person"** shall mean natural persons, cooperatives, corporations, limited liability companies, limited partnerships, general partnerships, limited liability partnerships, joint ventures, associations, companies, trusts or other organizations, irrespective of whether they are legal entities, and Governmental Authorities.

**"Primary Advance"** shall mean the Advance made by CFC to the Borrower pursuant to Section 3.02.B hereof two Business Days after the Closing Date to reimburse Borrower for costs of the Project.

**"Principal"** shall mean the amount of principal billed on account of Long-Term Debt of the Borrower computed pursuant to Accounting Requirements.

**"Project"** shall mean the project being financed pursuant to the Loan, as further described in Schedule 1.

**"Project Account"** means an account created pursuant to the Indenture within the Project Fund related to the CREBs.

**"Project Agreement"** shall mean the Project Agreement, dated as of even date herewith, executed by the Borrower with respect to the Project and the CREBs.

**"Project Fund"** means the Project Fund created and identified as such in the Indenture.

**"Restricted Rentals"** shall mean all rentals required to be paid under finance leases and charged to income, exclusive of any amounts paid under any such lease (whether or not designated therein as rental or additional rental) for maintenance or repairs, insurance, taxes, assessments, water rates or similar charges. For the purpose of this definition the term "finance lease" shall mean any lease having a rental term (including the term for which such lease may be renewed or extended at the option of the lessee) in excess of three (3) years and covering property having an initial cost in excess of $250,000 other than automobiles, trucks, trailers, other vehicles (including without

limitation aircraft and ships), office, garage and warehouse space and office equipment (including without limitation computers).

**"Securities"** shall mean one or more series of clean renewable energy bonds issued by CFC under the Indenture.

**"Subsidiary"** as to any Person, shall mean a corporation, partnership, limited partnership, limited liability company or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise qualified, all references to a "Subsidiary" or to "Subsidiaries" in this Agreement shall refer to a Subsidiary or Subsidiaries of the Borrower.

**"Tax Compliance Agreement"** means a tax compliance certificate and agreement of CFC with respect to a series of Securities, as accepted by the Trustee, as amended.

**"Termination Certificate"** shall mean the certificate of the Borrower required by Section 5.01.Q of this Agreement, substantially in the form of Exhibit D hereto.

**"Total Assets"** shall mean an amount constituting the total assets of the Borrower computed pursuant to Accounting Requirements.

**"Total Utility Plant"** shall mean the amount constituting the total utility plant of the Borrower computed pursuant to Accounting Requirements.

**"Trustee"** shall mean U.S. Bank Trust Company National Association and its successors and assigns.

## ARTICLE II

## REPRESENTATIONS AND WARRANTIES

**Section 2.01** The Borrower represents and warrants to CFC that as of the date of this Agreement:

**A. Good Standing.** The Borrower is duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization, is duly qualified to do business and is in good standing in those states in which it is required to be qualified to conduct its business. The Borrower is a member in good standing of CFC.

**B. Subsidiaries and Ownership.** Schedule 1 hereto sets forth a complete and accurate list of the Subsidiaries of the Borrower showing the percentage of the Borrower's ownership of the outstanding stock, membership interests or partnership interests, as applicable, of each Subsidiary.

**C. Authority; Validity.** The Borrower has the power and authority to enter into this Agreement, the Note, the Project Agreement and the Mortgage; to make the borrowing hereunder; to execute and deliver all documents and instruments required hereunder and to incur and perform the obligations provided for herein, in the Note, in the Project Agreement and in the Mortgage, all of which have been duly authorized by all necessary and proper action; and no consent or approval of

any Person, including, as applicable and without limitation, members of the Borrower, which has not been obtained is required as a condition to the validity or enforceability hereof or thereof.

Each of this Agreement, the Note, the Project Agreement and the Mortgage is, and when fully executed and delivered will be, legal, valid and binding upon the Borrower and enforceable against the Borrower in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity.

**D. No Conflicting Agreements.** The execution and delivery of the Loan Documents and performance by the Borrower of the obligations thereunder, and the transactions contemplated hereby or thereby, will not: (i) violate any provision of law, any order, rule or regulation of any court or other agency of government, any award of any arbitrator, the articles of incorporation or by-laws of the Borrower, or any indenture, contract, agreement, mortgage, deed of trust or other instrument to which the Borrower is a party or by which it or any of its property is bound; or (ii) be in conflict with, result in a breach of or constitute (with due notice and/or lapse of time) a default under, any such award, indenture, contract, agreement, mortgage, deed of trust or other instrument, or result in the creation or imposition of any Lien (other than contemplated hereby) upon any of the property or assets of the Borrower.

The Borrower is not in default in any material respect under any agreement or instrument to which it is a party or by which it is bound and no event or condition exists which constitutes a default, or with the giving of notice or lapse of time, or both, would constitute a default under any such agreement or instrument.

**E. Taxes.** The Borrower, and each of its Subsidiaries, has filed or caused to be filed all federal, state and local tax returns which are required to be filed and has paid or caused to be paid all federal, state and local taxes, assessments, and governmental charges and levies thereon, including interest and penalties to the extent that such taxes, assessments, and governmental charges and levies have become due, except for such taxes, assessments, and governmental charges and levies which the Borrower or any Subsidiary is contesting in good faith by appropriate proceedings for which adequate reserves have been set aside.

**F. Licenses and Permits.** The Borrower has duly obtained and now holds all licenses, permits, certifications, approvals and the like necessary to own and operate its property and business that are required by Governmental Authorities and each remains valid and in full force and effect.

**G. Litigation.** There are no outstanding judgments, suits, claims, actions or proceedings pending or, to the knowledge of the Borrower, threatened against or affecting the Borrower, its Subsidiaries or any of their respective properties which, if adversely determined, either individually or collectively, would have a material adverse effect upon the business, operations, prospects, assets, liabilities or financial condition of the Borrower or its Subsidiaries. The Borrower and its Subsidiaries are not, to the Borrower's knowledge, in default or violation with respect to any judgment, order, writ, injunction, decree, rule or regulation of any Governmental Authority which would have a material adverse effect upon the business, operations, prospects, assets, liabilities or financial condition of the Borrower or its Subsidiaries.

**H. Financial Statements.** The balance sheet of the Borrower as at the date identified in Schedule 1 hereto, the statement of operations of the Borrower for the period ending on said date, and the interim financial statements of the Borrower, all heretofore furnished to CFC, are complete and correct. Said balance sheet fairly presents the financial condition of the Borrower as at said date

and said statement of operations fairly reflects its operations for the period ending on said date. The Borrower has no contingent obligations or extraordinary forward or long-term commitments except as specifically stated in said balance sheet or herein. There has been no material adverse change in the financial condition or operations of the Borrower from that set forth in said financial statements except changes disclosed in writing to CFC prior to the date hereof.

I. **Borrower's Legal Status.** Schedule 1 hereto accurately sets forth: (i) the Borrower's exact legal name, (ii) the Borrower's organizational type and jurisdiction of organization, (iii) the Borrower's organizational identification number or accurate statement that the Borrower has none, and (iv) the Borrower's place of business or, if more than one, its chief executive office as well as the Borrower's mailing address if different.

J. **Required Approvals.** Other than the CREBs allocation received from the Internal Revenue Service, no license, consent or approval of any Governmental Authority is required to enable the Borrower to enter into this Agreement, the Project Agreement, the Note and the Mortgage, or to perform any of its Obligations provided for in such documents, including without limitation (and if applicable), that of any state public utilities commission, any state public service commission, and the Federal Energy Regulatory Commission, except as disclosed in Schedule 1 hereto, all of which the Borrower has obtained prior to the date hereof.

K. **Compliance With Laws.** The Borrower and each Subsidiary is in compliance, in all material respects, with all applicable requirements of law and all applicable rules and regulations of each Governmental Authority.

L. **Disclosure.** To the Borrower's knowledge, information and belief, neither this Agreement nor any document, certificate or financial statement furnished to CFC by or on behalf of the Borrower in connection herewith (all such documents, certificates and financial statements, taken as a whole) contains any untrue statement of a material fact or omits to state any material fact necessary in order to make the statements contained herein and therein not misleading.

M. **No Other Liens.** As to property which is presently included in the description of Mortgaged Property, the Borrower has not, without the prior written approval of CFC, executed or authenticated any security agreement or mortgage, or filed or authorized any financing statement to be filed with respect to assets owned by it, other than security agreements, mortgages and financing statements in favor of CFC, except as disclosed in writing to CFC prior to the date hereof or relating to Permitted Encumbrances.

N. **Environmental Matters.** Except as to matters which individually or in the aggregate would not have a material adverse effect upon the business or financial condition of the Borrower or its Subsidiaries, (i) Borrower is in compliance with all Environmental Laws (including, but not limited to, having any required permits and licenses), (ii) there have been no releases (other than releases remediated in compliance with Environmental Laws) from any underground or aboveground storage tanks (or piping associated therewith) that are or were present at the Mortgaged Property, (iii) Borrower has not received written notice or claim of any violation of any Environmental Law, (iv) there is no pending investigation of Borrower in regard to any Environmental Law, and (v) to the best of Borrower's knowledge, there has not been any release or contamination (other than releases or contamination remediated in compliance with Environmental Laws) resulting from the presence of Hazardous Materials on property owned, leased or operated by the Borrower.

O. **Project Agreement.** As set forth in the Project Agreement, the Project constitutes "a qualified project" as defined in Section 54(d)(2)(A) of the Code. As set forth in the Project Agreement,

the Borrower constitutes currently, and will remain through the period that the CREBs remain outstanding, "a Qualified Borrower", meaning a (i) mutual or cooperative electric company described in Sections 501(c)(12) or 1381(a)(2)(C) of the Code, or (ii) a Governmental Body, which is defined as any state, territory possession of the U.S., the District of Columbia, Indian tribal government, and any political subdivision thereof. The statements, information and descriptions contained in the Project Agreement are true, correct and complete, and do not contain any untrue statement or misleading statement of a material fact, and do not omit to state a material fact required to be stated therein or necessary to make the statements, information and descriptions contained therein, in the light of the circumstances under which they were made, not misleading, and the estimates and the assumptions contained in the Project Agreement are reasonable and based on the best information available to the Borrower.

## ARTICLE III

## LOAN

**Section 3.01 Definitions.** For purposes of this Article 3, the following capitalized terms shall have the following meanings:

**"Borrower's Annual Bond Repayment Amount"** shall mean the amount determined by dividing the CFC Commitment by the number of years from the Closing Date to the Maximum CREB Term Anniversary Date, which amount shall be recalculated on the date CFC rescinds any excess moneys pursuant to Section 3.05 or 3.06 hereof.

**"Quarterly Bond Deposit Amount"** shall mean for each Payment Date, the amount determined by subtracting from the Quarterly Bond Repayment Amount the principal amount payable by the Borrower pursuant to Section 3.03.A(ii)(b)(1) on such Payment Date.

**"Quarterly Bond Repayment Amount"** shall mean one-fourth (¼) of the Borrower's Annual Bond Repayment Amount.

**Section 3.02 Advances.** The obligation of the Borrower to repay the Advances shall be evidenced by the Note. The aggregate amount of all Advances made hereunder shall not exceed the CFC Commitment. At the end of the Draw Period, CFC shall have no further obligation to make Advances.

A. **Initial Advance.** Borrower hereby agrees that on the Closing Date, CFC shall automatically, and without action by Borrower, make the Initial Advance. On the Closing Date, CFC shall notify Borrower of the final amount of the Initial Advance and the amount of the CFC Commitment remaining for Borrower to subsequently Advance.

B. **Subsequent Advances.**

(i) The Borrower may submit a request for the Primary Advance to CFC in writing (which may be submitted by facsimile) no later than 12:00 noon local time at CFC's offices in Herndon, Virginia seven Business Days prior to the Closing Date. The Primary Advance may be requested in any amount up to the CFC Commitment. CFC shall make the Primary Advance two Business Days after the Closing Date in the lesser of (i) the aggregate amount of such requested Primary Advance, and (ii) the amount of the CFC Commitment less the amount of the Initial Advance.

(ii) Except as set forth in 3.02.A and 3.02.B(i) hereof, the Borrower shall submit its request for an Advance to CFC in writing (which may be submitted by facsimile) no later than 12:00 noon local time at CFC's offices in Herndon, Virginia at least two (2) Business Days prior to the last Business Day of any calendar month. Borrower may make multiple requests for Advances during any calendar month in any amount so long as the aggregate amount of all Advances requested in such month is in an amount not less than $100,000.00; *provided, however* that at such time as there remains less than $100,000.00 available for Advance hereunder, Borrower may request the entirety of such remaining amount. CFC shall make a single Advance to Borrower on the first Business Day of the calendar month following Borrower's request(s) for an Advance. Such Advance shall be in the aggregate amount of all Advances requested by Borrower in the prior month, *provided however* that at such time as there remains less than $100,000.00 available for Advance hereunder and Borrower requests the entirety of such remaining amount, CFC shall Advance the entirety of such remaining amount.

**Section 3.03 Interest Rate and Payment.** The Note shall be payable and bear interest as follows:

**A. Payments; Maturity; Amortization.**

(i) The Note shall be due and payable on the Maturity Date.

(ii) On each Payment Date, the Borrower shall promptly pay the following:

(a) accrued interest on the principal amount of the Loan outstanding less the amount of the Initial Advance; and

(b) the Quarterly Bond Repayment Amount, consisting of:

(1) the principal amount due on any outstanding Advances, determined on the basis of a quarterly amortization schedule from the date of each Advance; and

(2) the Quarterly Bond Deposit Amount.

(iii) If not sooner paid, any amount due on account of the unpaid principal, interest accrued thereon and fees, if any, shall be due and payable on the Maturity Date.

(iv) Each Advance shall amortize on a level principal payment basis from the date thereof through the Maturity Date.

(v) CFC will furnish to the Borrower a Payment Notice at least ten (10) days before each Payment Date, provided, however, that CFC's failure to send a Payment Notice shall not constitute a waiver by CFC or be deemed to relieve the Borrower of its obligation to make payments as and when due as provided for herein.

(vi) No provision of this Agreement or of any Note shall require the payment, or permit the collection, of interest in excess of the highest rate permitted by applicable law.

Borrower agrees that the records of, and all computations by, CFC (in whatever media they are recorded or maintained) as to the amount of principal, interest, fees and Quarterly Bond Deposit Amount due on the Loan shall be conclusive in the absence of manifest error.

B. **Application of Payments.** Each payment shall be applied to the Loan, first to any fees, costs, expenses or charges other than interest or principal, second to interest accrued, third to the Quarterly Bond Deposit Amount and the balance to principal.

C. **Application of Bond Repayment Deposit.** At such time as the aggregate amount billed by CFC in any calendar year on account of amortized principal under this Agreement exceeds the Borrower's Annual Bond Repayment Amount for such year, CFC shall apply a portion of the Borrower's prior payments of the Quarterly Bond Deposit Amount in the amount of such overage to principal then due. Until such time, Borrower's payments of the Quarterly Bond Deposit Amount shall not reduce the amount of principal outstanding and subject to amortization. Any amount paid by the Borrower under this Agreement on account of the Quarterly Bond Deposit Amount in excess of the principal amount of the fully advanced Loan shall be refunded to the Borrower on the Maturity Date.

D. **Interest Rate Computation.** Each Advance except the Initial Advance shall bear interest at the CFC CREB Rate which shall apply until the Maturity Date. The Initial Advance shall not bear interest. Interest on Advances shall be computed on the basis of a 30-day month and 360-day year.

**Section 3.04. Extraordinary Obligation to Prepay**. Upon a Determination of Tax Credit Ineligibility that subjects the CREBs to an extraordinary mandatory redemption due to a failure of the Borrower to observe any agreement or representation in this Loan Agreement (as more particularly described in paragraph (b) of the defined term "Determination of Tax Credit Ineligibility"), the Borrower shall prepay the Loan, or such part thereof as determined by CFC, at such times and in such amounts as determined by CFC within sixty (60) days of such determination together with a prepayment premium prescribed by CFC pursuant to its policies of general application in effect from time to time.

**Section 3.05. Rescission of Excess Moneys; Fee.** If the Borrower has not drawn down the full amount of the CFC Commitment at (i) the time of filing the Completion Certificate under Section 5.01P. hereof, (ii) the time of filing the Termination Certificate under 5.01Q. hereof, (iii) a Determination of Tax Credit Ineligibility or (iv) the end of the Draw Period, a corresponding rescission of the amount of principal available to be drawn on the Note as calculated by CFC shall automatically be made without further action by the Borrower. CFC shall release the Borrower from its obligations hereunder as to such rescinded portion, provided the Borrower complies with such terms and conditions as CFC may impose for such release including, without limitation, payment of any rescission fee that CFC may from time to time prescribe, pursuant to its policies of general application.

**Section 3.06. Cancellation of Excess Moneys.** If the Borrower has not drawn down the full amount of the CFC Commitment at the time CFC determines that it will cease making Advances hereunder pursuant to Section 7.01 hereof, a corresponding cancellation of the amount of principal available to be drawn on the Note as calculated by CFC shall automatically be made without action by the Borrower.

**Section 3.07. Default Rate.** If Borrower defaults on its obligation to make a payment due hereunder by the applicable Payment Date, and such default continues for thirty days thereafter, then

beginning on the thirty-first day after the Payment Date and for so long as such default continues, Advances shall bear interest at the Default Rate.

**Section 3.08. Patronage Capital; Interest Rate Discounts.** No patronage capital shall be earned, and no interest rate discounts shall apply, to the Loan.

**Section 3.09. Optional Prepayment.** Except for prepayments made pursuant to Section 3.04 hereof, no prepayment of any Advance, in whole or in part, may be made by the Borrower.

## ARTICLE IV

## CONDITIONS OF LENDING

**Section 4.01** The obligation of CFC to make any Advance hereunder is subject to satisfaction of the following conditions in form and substance satisfactory to CFC:

**A. Legal Matters.** All legal matters incident to the consummation of the transactions hereby contemplated shall be satisfactory to counsel for CFC.

**B. Documents.** CFC shall have been furnished with (i) the executed Loan Documents, (ii) certified copies of all such organizational documents and proceedings of the Borrower authorizing the transactions hereby contemplated as CFC shall require, (iii) an opinion of counsel for the Borrower addressing such legal matters as CFC shall reasonably require, and (iv) all other such documents as CFC may reasonably request.

**C. Government Approvals.** The Borrower shall have furnished to CFC true and correct copies of all certificates, authorizations, consents, permits and licenses from Governmental Authorities necessary for the execution or delivery of the Loan Documents or performance by the Borrower of the obligations thereunder.

**D. Representations and Warranties.** The representations and warranties contained in Article II shall be true on the date of the making of each Advance hereunder with the same effect as though such representations and warranties had been made on such date; no Event of Default and no event which, with the lapse of time or the notice and lapse of time would become such an Event of Default, shall have occurred and be continuing or will have occurred after giving effect to each Advance on the books of the Borrower; there shall have occurred no material adverse change in the business or condition, financial or otherwise, of the Borrower; and nothing shall have occurred which in the opinion of CFC materially and adversely affects the Borrower's ability to perform its obligations hereunder.

**E. Mortgage Recordation.** The Mortgage (and any amendments, supplements or restatements as CFC may require from time to time) shall have been duly filed, recorded or indexed in all jurisdictions necessary (and in any other jurisdiction that CFC shall have reasonably requested) to provide CFC a lien, subject to Permitted Encumbrances, on all of the Borrower's real property, all in accordance with applicable law, and the Borrower shall have paid all applicable taxes, recording and filing fees and caused satisfactory evidence thereof to be furnished to CFC.

**F. UCC Filings.** Uniform Commercial Code financing statements (and any continuation statements and other amendments thereto that CFC shall require from time to time) shall have been duly filed, recorded or indexed in all jurisdictions necessary (and in any other jurisdiction that CFC

shall have reasonably requested) to provide CFC a perfected security interest, subject to Permitted Encumbrances, in the Mortgaged Property which may be perfected by the filing of a financing statement, all in accordance with applicable law, and the Borrower shall have paid all applicable taxes, recording and filing fees and caused satisfactory evidence thereof to be furnished to CFC.

**G. Requisitions.** The Borrower will requisition each Advance by submitting its written requisition to CFC in the form attached as Exhibit A hereto. Requisitions for Advances shall be made only for the purposes set forth in Schedule 1 hereto.

**H. Other Information.** The Borrower shall have furnished such other information as CFC may reasonably require, including but not limited to (i) information regarding the specific purpose for an Advance and the use thereof, (ii) feasibility studies, cash flow projections, financial analyses and pro forma financial statements sufficient to demonstrate to CFC's reasonable satisfaction that after giving effect to the Advance requested, the Borrower shall continue to achieve the DSC ratio set forth in Section 5.01.A herein, to meet all of its debt service obligations, and otherwise to perform and to comply with all other covenants and conditions set forth in this Agreement, and (iii) any other information as CFC may reasonably request. CFC's obligation to make any Advance hereunder is conditioned upon prior receipt and approval of the Borrower's written requisition and other information and documentation, if any, as CFC may have requested pursuant to this paragraph.

**I. Issuance of Bonds.** CFC shall have issued CREBs in an amount not less than the CFC Commitment.

**J. CREB Allocation.** CFC shall have received an allocation in the amount of the CFC Commitment from the U.S. Department of Treasury for the Borrower's Project under its Securities program.

**K. Tax Credit Ineligibility.** There shall have occurred no Determination of Tax Credit Ineligibility with regard to the Borrower or the Project.

**L. Bring Down Certificate.** Two (2) Business Days prior to the Closing Date, the Borrower shall furnish CFC with a certificate of an Authorized Officer of the Borrower in the form of Exhibit B hereto, certifying that all of the representations and warranties set forth in Article II hereof are true on the Closing Date.

## ARTICLE V

## COVENANTS

**Section 5.01 Affirmative Covenants.** The Borrower covenants and agrees with CFC that until payment in full of the Note and performance of all obligations of the Borrower hereunder:

**A. Financial Ratios; Design of Rates.** The Borrower shall achieve an Average DSC Ratio of not less than 1.35. The Borrower shall not decrease its rates for electric service if it has failed to achieve a DSC Ratio of 1.35 for the calendar year prior to such reduction subject only to an order from a Governmental Authority properly exercising jurisdiction over the Borrower.

**B. Loan Proceeds.** The Borrower shall use the proceeds of this Loan solely for the purposes identified on Schedule 1 hereto.

C. **Notice.** The Borrower shall promptly notify CFC in writing of:

(i) any material adverse change in the business, operations, prospects, assets, liabilities or financial condition of the Borrower;

(ii) the institution or threat of any litigation or administrative proceeding of any nature involving the Borrower which could materially affect the business, operations, prospects, assets, liabilities or financial condition of the Borrower;

(iii) the occurrence of an Event of Default hereunder, or any event that, with the giving of notice or lapse of time, or both, would constitute an Event of Default.

D. **Default Notices.** Upon receipt of any notices with respect to a default by the Borrower under the terms of any evidence of any indebtedness with parties other than CFC or of any loan agreement, mortgage or other agreement relating thereto, the Borrower shall deliver copies of such notice to CFC.

E. **Annual Certificates.**

(i) Within one hundred twenty (120) days after the close of each calendar year, commencing with the year in which the initial Advance hereunder shall have been made, the Borrower will deliver to CFC a written statement, in form and substance satisfactory to CFC, signed by the Borrower's General Manager or Chief Executive Officer, stating that during such year, and that to the best of said person's knowledge, the Borrower has fulfilled all of its obligations under this Agreement, the Project Agreement, the Note, and the Mortgage throughout such year or, if there has been a default in the fulfillment of any such obligations, specifying each such default known to said person and the nature and status thereof.

(ii) The Borrower shall deliver to CFC within one hundred twenty (120) days of CFC's written request, which shall be no more frequently than once every year, a certification, in form and substance satisfactory to CFC, regarding the condition of the Mortgaged Property prepared by a professional engineer satisfactory to CFC. The Borrower shall also deliver to CFC such other information as CFC may reasonably request from time to time.

F. **Loan Capital Term Certificate Purchase.** The Borrower will purchase LCTCs, if required, in an amount calculated pursuant to CFC's policies of general application and shall pay for such LCTCs as required thereby. CFC's policies with respect to such LCTCs are set forth in Schedule 1.

G. **Financial Books; Financial Reports; Right of Inspection.** The Borrower will at all times keep, and safely preserve, proper books, records and accounts in which full and true entries will be made of all of the dealings, business and affairs of the Borrower, in accordance with Accounting Requirements. When requested by CFC, the Borrower will prepare and furnish CFC from time to time, periodic financial and statistical reports on its condition and operations. All of such reports shall be in such form and include such information as may be specified by CFC. Within one hundred twenty (120) days of the end of each calendar year during the term hereof, the Borrower shall furnish to CFC a full and complete report of its financial condition and statement of its operations as of the end of such calendar year, in form and substance satisfactory to CFC. In addition, within one hundred twenty (120) days of the end of each the Borrower's fiscal years during the term hereof, the Borrower shall furnish to CFC a full and complete consolidated and consolidating report of its financial condition and statement of its operations as of the end of such fiscal year,

audited and certified by independent certified public accountants nationally recognized or otherwise satisfactory to CFC and accompanied by a report of such audit in form and substance satisfactory to CFC, including without limitation a consolidated and consolidating balance sheet and the related consolidated and consolidating statements of income and cash flow. CFC, through its representatives, shall at all times during reasonable business hours and upon prior notice have access to, and the right to inspect and make copies of, any or all books, records and accounts, and any or all invoices, contracts, leases, payrolls, canceled checks, statements and other documents and papers of every kind belonging to or in the possession of the Borrower or in anyway pertaining to its property or business.

H. **Notice of Additional Secured Debt.** The Borrower will notify CFC promptly in writing if it incurs any additional secured indebtedness other than indebtedness to CFC or indebtedness otherwise provided for in the Mortgage.

I. **Funds Requisition.** The Borrower agrees (i) that CFC may rely conclusively upon the written instructions submitted to CFC in the Borrower's written request for an Advance hereunder, (ii) that such instructions shall constitute a covenant under this Agreement to repay the Advance in accordance with such instructions, the applicable Note, the Mortgage, the Project Agreement and this Agreement, and (iii) to request Advances only for the purposes set forth in Schedule 1 hereto.

J. **Compliance With Laws.** The Borrower and each Subsidiary shall remain in compliance, in all material respects, with all applicable requirements of law and applicable rules and regulations of each Governmental Authority.

K. **Taxes.** The Borrower shall pay, or cause to be paid all taxes, assessments or governmental charges lawfully levied or imposed on or against it and its properties prior to the time they become delinquent, except for any taxes, assessments or charges that are being contested in good faith and with respect to which adequate reserves as determined in good faith by the Borrower have been established and are being maintained.

L. **Further Assurances.** The Borrower shall execute any and all further documents, financing statements, agreements and instruments, and take all such further actions (including the filing and recording of financing statements, fixture filings, mortgages, deeds of trust and other documents), which may be required under any applicable law, or which CFC may reasonably request, to effectuate the transactions contemplated by the Loan Documents or to grant, preserve, protect or perfect the Liens created or intended to be created thereby. The Borrower also agrees to provide to CFC, from time to time upon request, evidence reasonably satisfactory to CFC as to the perfection and priority of the Liens created or intended to be created by the Loan Documents.

M. **Environmental Covenants.** Borrower shall:

(i) at its own cost, comply in all material respects with all applicable Environmental Laws, including, but not limited to, any required remediation; and

(ii) if it receives any written communication alleging Borrower's violation of any Environmental Law, provide CFC with a copy thereof within ten (10) Business Days after receipt, and promptly take appropriate action to remedy, cure, defend, or otherwise affirmatively respond to the matter.

N. **Limitations on Loans, Investments and Other Obligations.** The aggregate amount of all purchases, investments, loans, guarantees, commitments and other obligations described in

Section 5.02.D(i) of this Agreement shall at all times be less than fifteen percent (15%) of Total Utility Plant or fifty percent (50%) of Equity, whichever is greater.

**O. Tax Status of the CREBs.** The Borrower shall utilize the Project or cause it to be utilized as provided in the Project Agreement until the CREB Maturity Date. No use will be made of the proceeds of the CREBs other than as set forth herein and in the Project Agreement and no changes will be made in the Project or in the operation or beneficial use thereof (including, without limiting the generality of the foregoing, the use of the Project by the Borrower or any related person) without an opinion of Bond Counsel that such a use or change will not adversely affect the eligibility of the CREBs to qualify for a tax credit for the owner thereof, for federal income tax purposes. The Borrower agrees and warrants that it will not take or authorize or permit any action to be taken and has not taken or authorized or permitted any action to be taken and will not fail to take any action to comply with the Project Agreement which adversely affects the eligibility of the CREBs to qualify for a tax credit for the owner thereof, for federal income tax purposes. This agreement and warranty shall survive the termination of this Agreement.

**P. Completion Certificate.** The Borrower shall submit to CFC within 30 days after the completion of the Project, a Completion Certificate signed by an Authorized Officer of the Borrower.

**Q. Termination Certificate.** If the Borrower determines that the Project will not be completed as described in Section 5.01.P above, then the Borrower shall submit to CFC a Termination Certificate, within 30 days of a determination that:

(i) no further acquisition, construction or installation will occur with respect to the Project; and

(ii) the Borrower does not intend to make any further Advances.

**R. Other Information.** The Borrower shall furnish such other information as CFC may reasonably require relating to the Project.

**Section 5.02 Negative Covenants.** The Borrower covenants and agrees with CFC that until payment in full of the Note and performance of all obligations of the Borrower hereunder, the Borrower will not, directly or indirectly, without CFC's prior written consent:

**A. Limitations on Mergers.** Consolidate with, merge, or sell all or substantially all of its business or assets, or enter into an agreement for such consolidation, merger or sale, to another entity or person unless such action is either approved, as is evidenced by the prior written consent of CFC, or the purchaser, successor or resulting corporation is or becomes a member in good standing of CFC and assumes the due and punctual payment of the Note and the due and punctual performance of the covenants contained in the Mortgage and this Agreement.

**B. Limitations on Sale, Lease or Transfer of Capital Assets; Application of Proceeds.** Sell, lease or transfer (or enter into an agreement to sell, lease or transfer) any capital asset, except in accordance with this Section 5.02.B. If no Event of Default (and no event which with notice or lapse of time and notice would become an Event of Default) shall have occurred and be continuing, the Borrower may, without the prior written consent of CFC, sell, lease or transfer (or enter into an agreement to sell, lease or transfer) any capital asset in exchange for fair market value consideration paid to the Borrower if the value of such capital asset is less than five percent (5%) of Total Utility Plant and the aggregate value of capital assets sold, leased or transferred in any 12-month period is less than ten percent (10%) of Total Utility Plant.

**C. Limitation on Dividends, Patronage Refunds and Other Distributions.**

(i) Make Distributions in any calendar year if, after giving effect to the Distribution, the total Equity of the Borrower will be less than twenty percent (20%) of its Total Assets.

(ii) If, after giving effect to the Distribution, the total Equity of the Borrower will be less than twenty percent (20%) of its Total Assets, then the Borrower may nevertheless make Distributions of up to thirty percent (30%) of its total margins for the preceding calendar year.

(iii) Notwithstanding anything to the contrary in subparagraphs (i) and (ii) above, the Borrower shall not make any Distribution without the prior written consent of CFC if an Event of Default under this Agreement has occurred and is continuing.

**D. Limitations on Loans, Investments and Other Obligations.**

(i) (a) Purchase, or make any commitment to purchase, any stock, bonds, notes, debentures, or other securities or obligations of or beneficial interests in, (b) make, or enter into a commitment to make, any other investment, monetary or otherwise, in, (c) make, or enter into a commitment to make, any loan to, or (d) guarantee, assume, or otherwise become liable for, or enter into a commitment to guarantee, assume, or otherwise become liable for, any obligation of any Person if, after giving effect to such purchase, investment, loan, guarantee or commitment, the aggregate amount thereof would exceed the greater of fifteen percent (15%) of Total Utility Plant or fifty percent (50%) of Equity.

(ii) The following shall not be included in the limitation of purchases, investments, loans and guarantees in (i) above: (a) bonds, notes, debentures, stock, or other securities or obligations issued by or guaranteed by the United States or any agency or instrumentality thereof; (b) bonds, notes, debentures, stock, commercial paper, subordinated capital certificates, or any other security or obligation issued by CFC or by institutions whose senior unsecured debt obligations are rated by at least two nationally recognized rating organizations in either of their two highest categories; (c) investments incidental to loans made by CFC; (d) any deposit that is fully insured by the United States; (e) loans and grants made by any Governmental Authority to the Borrower under any rural economic development program, but only to the extent that such loans and grants are non-recourse to the Borrower; and (f) unretired patronage capital allocated to the Borrower by CFC, a cooperative from which the Borrower purchases electric power, or a statewide cooperative association of which Borrower is a member.

(iii) In no event may the Borrower take any action pursuant to subsection (i) if an Event of Default under this Agreement has occurred and is continuing,

**E. Organizational Change.** Change its type of organization or other legal structure, except as permitted by Section 5.02.A. hereof, in which case the Borrower shall provide at least 30 days prior written notice to CFC together with all documentation reflecting such change as CFC may reasonably require.

**F. Notice of Change in Borrower Information.** Change its (i) state of incorporation, (ii) legal name, (iii) mailing address, or (iv) organizational identification number, if it has one, unless the Borrower provides written notice to CFC at least thirty (30) days prior to the effective date of any such change together with all documentation reflecting any such change as CFC may reasonably require.

## ARTICLE VI

## EVENTS OF DEFAULT

**Section 6.01** The following shall be "Events of Default" under this Agreement:

**A. Representations and Warranties.** Any representation or warranty made by the Borrower herein, or in any of the other Loan Documents, or in any certificate or financial statement furnished to CFC hereunder or under any of the other Loan Documents shall prove to be false or misleading in any material respect.

**B. Payment.** The Borrower shall fail to pay (whether upon stated maturity, by acceleration, or otherwise) any principal, interest, premium (if any) or other amount payable under the Note and the Loan Documents within five (5) Business Days after the due date thereof.

**C. Other Covenants.**

**(i) No Grace Period.** Failure of the Borrower to observe or perform any covenant or agreement contained in the Project Agreement or in Sections 5.01.A, 5.01.B, 5.01.D, 5.01.E, 5.01.G, 5.01.I, 5.01.N, 5.01.O and 5.02 of this Agreement.

**(ii) Thirty Day Grace Period.** Failure of the Borrower to observe or perform any other covenant or agreement contained in this Agreement or any of the other Loan Documents, which shall remain unremedied for thirty (30) calendar days after written notice thereof shall have been given to the Borrower by CFC.

**D. Legal Existence, Permits and Licenses.** The Borrower shall forfeit or otherwise be deprived of (i) its authority to conduct business in the jurisdiction in which it is organized or in any other jurisdiction where such authority is required in order for the Borrower to conduct its business in such jurisdiction or (ii) permits, easements, consents or licenses required to carry on any material portion of its business.

**E. Other CFC Obligations.** The Borrower shall be in breach or default of any Obligation, which breach or default continues uncured beyond the expiration of any applicable grace period.

**F. Other Obligations.** The Borrower shall (i) fail to make any payment of any principal, premium or any other amount due or interest on any indebtedness with parties other than CFC which shall remain unpaid beyond the expiration of any applicable grace period, or (ii) be in breach or default with respect to any other term of any evidence of any other indebtedness with parties other than CFC or of any loan agreement, mortgage or other agreement relating thereto which breach or default continues uncured beyond the expiration of any applicable grace period, if the effect of such failure, default or breach is to cause the holder or holders of that indebtedness to cause that indebtedness to become or be declared due prior to its stated maturity (upon the giving or receiving of notice, lapse of time, both or otherwise).

**G. Involuntary Bankruptcy.** An involuntary case or other proceeding shall be commenced against the Borrower seeking liquidation, reorganization or other relief with respect to it or its debts under bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property and such involuntary case or other proceeding shall continue without dismissal or

stay for a period of sixty (60) days; or an order for relief shall be entered against the Borrower under the federal bankruptcy laws or applicable state law as now or hereafter in effect.

H. **Insolvency.** The Borrower shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall admit in writing its inability to, or be generally unable to, pay its debts as they become due, or shall take any action to authorize any of the foregoing.

I. **Dissolution or Liquidation.** Other than as provided in subsection H. above, the dissolution or liquidation of the Borrower, or failure by the Borrower promptly to forestall or remove any execution, garnishment or attachment of such consequence as will impair its ability to continue its business or fulfill its obligations and such execution, garnishment or attachment shall not be vacated within sixty (60) days. The term "dissolution or liquidation of the Borrower", as used in this subsection, shall not be construed to include the cessation of the corporate existence of the Borrower resulting either from a merger or consolidation of the Borrower into or with another corporation following a transfer of all or substantially all its assets as an entirety, under the conditions set forth in Section 5.02.A.

J. **Material Adverse Change.** Any material adverse change in the business or condition, financial or otherwise, of the Borrower.

K. **Monetary Judgment.** The Borrower shall suffer any money judgment not covered by insurance, writ or warrant of attachment or similar process involving an amount in excess of $100,000 and shall not discharge, vacate, bond or stay the same within a period of sixty (60) days.

L. **Nonmonetary Judgment.** One or more nonmonetary judgments or orders (including, without limitation, injunctions, writs or warrants of attachment, garnishment, execution, distraint, replevin or similar process) shall be rendered against the Borrower that, either individually or in the aggregate, could reasonably be expected to have a material adverse effect upon the business, operations, prospects, assets, liabilities or financial condition of the Borrower.

## ARTICLE VII

## REMEDIES

**Section 7.01** If any of the Events of Default listed in Section 6 hereof shall occur after the date of this Agreement and shall not have been remedied within the applicable grace periods specified therein, then CFC may:

(i) Cease making Advances hereunder;

(ii) Declare all unpaid principal outstanding on the Note, all accrued and unpaid interest thereon, and all other Obligations to be immediately due and payable and the same shall thereupon become immediately due and payable without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived;

(iii) Exercise rights of setoff or recoupment and apply any and all amounts held, or hereby held, by CFC or owed to the Borrower or for the credit or account of the Borrower against any and all of the Obligations of the Borrower now or hereafter existing hereunder or under the Note, including, but not limited to, patronage capital allocations and retirements, money due to Borrower from equity certificates purchased from CFC, and any membership or other fees that would otherwise be returned to Borrower but excluding any LCTCs purchased by the Borrower pursuant to this Agreement. The rights of CFC under this section are in addition to any other rights and remedies (including other rights of setoff or recoupment) which CFC may have. The Borrower waives all rights of setoff, deduction, recoupment or counterclaim;

(iv) Pursue all rights and remedies available to CFC that are contemplated by the Mortgage and the other Loan Documents in the manner, upon the conditions, and with the effect provided in the Mortgage and the other Loan Documents, including, but not limited to, a suit for specific performance, injunctive relief or damages;

(v) Pursue any other rights and remedies available to CFC at law or in equity.

Nothing herein shall limit the right of CFC to pursue all rights and remedies available to a creditor following the occurrence of an Event of Default. Each right, power and remedy of CFC shall be cumulative and concurrent, and recourse to one or more rights or remedies shall not constitute a waiver of any other right, power or remedy.

## ARTICLE VIII

## MISCELLANEOUS

**Section 8.01 Notices.** All notices, requests and other communications provided for herein including, without limitation, any modifications of, or waivers, requests or consents under, this Agreement shall be given or made in writing (including, without limitation, by telecopy) and delivered to the intended recipient at the "Address for Notices" specified below; or, as to any party, at such other address as shall be designated by such party in a notice to each other party. All such communications shall be deemed to have been duly given (i) when personally delivered including, without limitation, by overnight mail or courier service, (ii) in the case of notice by United States mail, certified or registered, postage prepaid, return receipt requested, upon receipt thereof, or (iii) in the case of notice by telecopy, upon transmission thereof, provided such transmission is promptly confirmed by either of the methods set forth in clauses (i) or (ii) above in each case given or addressed as provided for herein. The Address for Notices of each of the respective parties is as follows:

National Rural Utilities Cooperative Finance Corporation
2201 Cooperative Way
Herndon, Virginia 20171-3025
Attention: Senior Vice President – Member Services
Fax # 703-709-6776

The Borrower:

The address set forth in
Schedule 1 hereto

**Section 8.02 Expenses.** Borrower shall reimburse CFC for any reasonable costs and out-of-pocket expenses paid or incurred by CFC (including, without limitation, reasonable fees and expenses of outside attorneys, paralegals and consultants) for all actions CFC takes, (a) to enforce the payment of any Obligation, to effect collection of any Mortgaged Property, or in preparation for such enforcement or collection, (b) to institute, maintain, preserve, enforce and foreclose on CFC's security interest in or Lien on any of the Mortgaged Property, whether through judicial proceedings or otherwise, (c) to restructure any of the Obligations, (d) to review, approve or grant any consents or waivers hereunder, (e) to prepare, negotiate, execute, deliver, review, amend or modify this Agreement, (f) to prepare, negotiate, execute, deliver, review, amend or modify any other agreements, documents and instruments deemed necessary or appropriate by CFC in connection with any of the foregoing, and (g) to obtain any opinions required to be furnished upon a Determination of Tax Credit Ineligibility and an extraordinary prepayment as set forth in Section 3.04 hereof or a rescission of excess money as set forth in Section 3.05 or a cancellation of excess moneys as set forth in Section 3.06.

The amount of all such expenses identified in this Section 8.02 shall be secured by the Mortgage and shall be payable upon demand, and if not paid, shall accrue interest at the Default Rate.

**Section 8.03 Late Payments.** If payment of any amount due hereunder is not received at CFC's office in Herndon, Virginia, or such other location as CFC may designate to the Borrower within five (5) Business Days after the due date thereof, the Borrower will pay to CFC, in addition to all other amounts due under the terms of the Loan Documents, any late payment charge as may be fixed by CFC from time to time pursuant to its policies of general application as in effect from time to time.

**Section 8.04. Non-Business Day Payments.** If any payment to be made by the Borrower hereunder shall become due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall be included in computing any interest in respect of such payment.

**Section 8.05 Filing Fees.** To the extent permitted by law, the Borrower agrees to pay all expenses of CFC (including the reasonable fees and expenses of its counsel) in connection with the filing, registration, recordation or perfection of the Mortgage and any other security instruments as may be required by CFC in connection with this Agreement, including, without limitation, all documentary stamps, recordation and transfer taxes and other costs and taxes incident to execution, filing, registration or recordation of any document or instrument in connection herewith. The Borrower agrees to save harmless and indemnify CFC from and against any liability resulting from the failure to pay any required documentary stamps, recordation and transfer taxes, recording costs, or any other expenses incurred by CFC in connection with this Agreement. The provisions of this subsection shall survive the execution and delivery of this Agreement and the payment of all other amounts due under the Loan Documents.

**Section 8.06 Waiver; Modification.** No failure on the part of CFC to exercise, and no delay in exercising, any right or power hereunder or under the other Loan Documents shall operate as a waiver thereof, nor shall any single or partial exercise by CFC of any right hereunder, or any abandonment or discontinuance of steps to enforce such right or power, preclude any other or further exercise thereof or the exercise of any other right or power. No modification or waiver of any provision of this Agreement, the Note or the other Loan Documents and no consent to any departure by the Borrower therefrom shall in any event be effective unless the same shall be in writing by the

party granting such modification, waiver or consent, and then such modification, waiver or consent shall be effective only in the specific instance and for the purpose for which given.

**SECTION 8.07 GOVERNING LAW; SUBMISSION TO JURISDICTION; WAIVER OF JURY TRIAL.**

(A) THE PERFORMANCE AND CONSTRUCTION OF THIS AGREEMENT AND THE NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE COMMONWEALTH OF VIRGINIA.

(B) THE BORROWER HEREBY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF THE UNITED STATES COURTS LOCATED IN VIRGINIA AND OF ANY STATE COURT SO LOCATED FOR PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. THE BORROWER IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTIONS THAT IT MAY NOW OR HEREAFTER HAVE TO THE ESTABLISHING OF THE VENUE OF ANY SUCH PROCEEDINGS BROUGHT IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

(C) THE BORROWER AND CFC EACH HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

**SECTION 8.08 INDEMNIFICATION.** THE BORROWER HEREBY INDEMNIFIES AND AGREES TO HOLD HARMLESS, AND DEFEND CFC AND ITS MEMBERS, DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, ATTORNEYS AND REPRESENTATIVES (EACH AN "INDEMNITEE") FOR, FROM, AND AGAINST ALL CLAIMS, DAMAGES, LOSSES, LIABILITIES, COSTS, AND EXPENSES (INCLUDING, WITHOUT LIMITATION, COSTS AND EXPENSES OF LITIGATION AND REASONABLE ATTORNEYS' FEES) ARISING FROM ANY CLAIM OR DEMAND IN RESPECT OF THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS, THE MORTGAGED PROPERTY, OR THE TRANSACTIONS DESCRIBED IN THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS AND ARISING AT ANY TIME, WHETHER BEFORE OR AFTER PAYMENT AND PERFORMANCE OF ALL OBLIGATIONS UNDER THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS IN FULL, EXCEPTING ANY SUCH MATTERS ARISING SOLELY FROM THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF CFC OR ANY INDEMNITEE INCLUDING WITHOUT LIMITATION ANY DETERMINATION MADE OR OTHER ACTION TAKEN BY CFC PURSUANT TO SECTIONS 3.04, 3.05 and 3.06 OF THIS AGREEMENT. NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN SECTION 8.10 HEREOF, THE OBLIGATIONS IMPOSED UPON THE BORROWER BY THIS SECTION SHALL SURVIVE THE REPAYMENT OF THE NOTE, THE TERMINATION OF THIS AGREEMENT AND THE TERMINATION OR RELEASE OF THE LIEN OF THE MORTGAGE.

**Section 8.09 Complete Agreement.** This Agreement, together with the schedules to this Agreement, the Note and the other Loan Documents, and the other agreements and matters referred to herein or by their terms referring hereto, is intended by the parties as a final expression of their agreement and is intended as a complete statement of the terms and conditions of their agreement. In the event of any conflict in the terms and provisions of this Agreement and any other Loan Documents, the terms and provisions of this Agreement shall control.

**Section 8.10 Survival; Successors and Assigns.** All covenants, agreements, representations and warranties of the Borrower which are contained in this Agreement shall survive the execution and delivery to CFC of the Loan Documents and the making of the Loan hereunder and shall continue in full force and effect until all of the obligations under the Loan Documents have been paid in full. All covenants, agreements, representations and warranties of the Borrower which are contained in this Agreement shall inure to the benefit of the successors and assigns of CFC. The Borrower shall not have the right to assign its rights or obligations under this Agreement without the prior written consent of CFC, except as provided in Section 5.02.A hereof.

**Section 8.11 Use of Terms.** The use of the singular herein shall also refer to the plural, and vice versa.

**Section 8.12 Headings.** The headings and sub-headings contained in this Agreement are intended to be used for convenience only and do not constitute part of this Agreement.

**Section 8.13 Severability.** If any term, provision or condition, or any part thereof, of this Agreement, the Note or the other Loan Documents shall for any reason be found or held invalid or unenforceable by any governmental agency or court of competent jurisdiction, such invalidity or unenforceability shall not affect the remainder of such term, provision or condition nor any other term, provision or condition, and this Agreement, the Note and the other Loan Documents shall survive and be construed as if such invalid or unenforceable term, provision or condition had not been contained therein.

**Section 8.14 Binding Effect.** This Agreement shall become effective when it shall have been executed by both the Borrower and CFC and thereafter shall be binding upon and inure to the benefit of the Borrower and CFC and their respective successors and assigns.

**Section 8.15 Counterparts.** This Agreement may be executed in one or more counterparts, each of which will be deemed an original and all of which together will constitute one and the same document. Signature pages may be detached from the counterparts and attached to a single copy of this Agreement to physically form one document.

**Section 8.16 Disclosure.** This Agreement and any other Loan Document may be shared by CFC with such Persons as shall be required in order to facilitate the issuance of the CREBs, including, but not limited to, its attorneys, underwriters and investors in the CREBs.

**Section 8.17 Schedule 1.** Schedule 1 attached hereto is an integral part of this Agreement.

**IN WITNESS WHEREOF,** the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

SULPHUR SPRINGS VALLEY
ELECTRIC COOPERATIVE, INC.

(SEAL)

By: Gene Manning

Title: President

Attest: _____
~~Secretary~~

CREDEN W. HUBER
CHIEF EXECUTIVE OFFICER

NATIONAL RURAL UTILITIES
COOPERATIVE FINANCE CORPORATION

(SEAL)

By: Marianne Dusold
Assistant Secretary-Treasurer

MARIANNE L DUSOLD

Attest: _____
Assistant Secretary-Treasurer

CRAIG COLANTONI

## SCHEDULE 1

1. The purpose of this loan is to finance (i) the reimbursement of the cost of the Project of the Borrower, including any reasonable costs and expenses incurred by the Borrower in connection with financing the Project, as described and permitted by the terms of the Project Agreement and (ii) a portion of CFC's costs in issuing the CREBs as set forth in Section 3.02.A.

2. The Project of the Borrower being financed by the Loan (funded by proceeds of the CREBs) constitutes the following clean renewable energy facilities:

   Valley Union School District Photovoltaic Solar Automobile Parking Shade Structure

   This project will place a photovoltaic module that will produce 23 kW of electricity in the shade structure at the Valley Union High School. The PV structure will provide electricity to the school with excess power flowing to the Borrower's system.

3. Subject to the terms of this Agreement, CFC has agreed to loan to the Borrower from proceeds of the CREBs, an amount not to exceed $280,000.00 (the "CFC Commitment").

4. Draw Period shall mean the period beginning on the Closing Date and ending on the date that is five (5) years thereafter.

5. The Borrower shall not purchase the LCTCs or any portion thereof with funds from the Loan. The Borrower shall use its own funds or funds borrowed under another credit facility to purchase such LCTCs, subject to the CFC policies regarding LCTCs set forth in the following paragraph.

   **CFC Policies Regarding LCTCs:** (i) Any solvent Member of CFC with an outstanding LCTC purchased in connection with a loan from the proceeds of Securities may borrow the outstanding amount of the LCTC from CFC without a further credit review, for a term equal to or shorter than the maturity of the LCTC at a rate equal to the comparable rate charged by CFC for similarly classified loans; and (ii) any Member of CFC with an outstanding LCTC purchased in connection with a loan from the proceeds of Securities may sell such LCTC to another Member of CFC for consideration.

6. The Mortgage shall mean the Restated Mortgage and Security Agreement, dated as of December 6, 2007, between the Borrower and CFC, as it may have been supplemented, amended, consolidated, or restated from time to time.

7. The Note executed pursuant hereto is as follows:

| LOAN NUMBER | AMOUNT |
|---|---|
| AZ014-A-9050-CB001 | $280,000.00 |

8. The Subsidiaries of the Borrower referred to in Section 2.01.B. are: None

9. The date of the Borrower's balance sheet referred to in Section 2.01.H is June 30, 2006.

10. The Borrower's exact legal name is: Sulphur Springs Valley Electric Cooperative, Inc.

11. The Borrower's organizational type is: Corporation

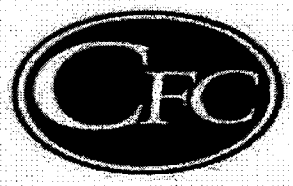
12. The Borrower is organized under the laws of the state of: Arizona

13. The Borrower's organizational identification number is: 0038220-2

14. The place of business or, if more than one, the chief executive office of the Borrower referred to in Section 2.01.I is 311 East Wilcox, Sierra Vista, Arizona 85635.

15. The Governmental Authority referred to in Section 2.01.J. is: Arizona Corporation Commission

16. The address for notices to the Borrower referred to in Section 8.01 is 311 East Wilcox, Sierra Vista, Arizona 85635, Attention: General Manager, Fax: (520) 384-5223.



## Exhibit A - Funds Requisition Statement

Borrower Name & ID: Sulphur Springs Valley Electric Cooperative, Inc. (AZ014)
Loan Number: AZ014-A-9050-CB001
Loan Agreement and Project Agreement with CFC dated:
CREBs Series: 2008A
CFC CREBs Application #: 20
Name of Project: Valley Union SschoolDistrict Photovoltaic Solar Automobile Parking Shade Structure
Funds Requisition Statement No.:

**Amount Requested:**
**Date Of Advance:**

**Disposition of Funds (wiring instructions):**

### Certification

Acting on behalf of the Borrower, I hereby certify that as of the date below: (1) I am duly authorized to make this certification and to request funds on the terms specified herein; (2) the Borrower has met all of the conditions contained in the Loan Agreement and the Project Agreement listed above governing the terms of this Advance that the Borrower is required to meet prior to an Advance of funds; (3) all of the representations and warranties contained in said Loan Agreement and Project Agreement are true and will continue to be true upon use of the funds as hereby requested; (4) no Event of Default, under the Loan Agreement or the Borrower's Mortgage, has occurred and is continuing; (5) I know of no other event that has occurred which, with the lapse of time and/or notification to CFC of such event, or after giving effect to this Advance, would become an Event of Default under the Loan Agreement or the Borrower's Mortgage; (6) the funds requested herein will be used only as a reimbursement for the purposes specified in the Loan Agreement and the Project Agreement; (7) the costs to be reimbursed by the funds requested herein are capital expenditures and have not previously been reimbursed under a previous Funds Requisition Statement; (8) the Borrower has secured sufficient funds to complete the Project; (9) any necessary permits and approvals required for the Project at this point have been obtained; (10) the Borrower is maintaining a file containing true and correct copies of invoices or bills of sale covering all items for which payment is sought by this request; (11) such costs have been incurred and paid by the Borrower in connection with the Project; (12) the Borrower is not using the funds requested hereby to make any payments of principal or interest due under the Loan Agreement; (13) no expenditure which is being reimbursed by the funds requested hereby was paid more than eighteen months after the later of (i) the date the expenditure is paid or (ii) the date the Project is placed in service, but in no event later than three years after the date the original expenditure was paid; and (14) set forth below is a table listing all of the major components of the Project, how much is being requested in this Funds Requisition Statement as an advance for certain components, how much has been

advanced on each component to date, the percentage of each component that is completed to date, and the purpose of the advance(s) being requested by this Funds Requisition Statement.

I hereby authorize CFC, for and on behalf of the Borrower, to forward this Funds Requisition Statement to the Trustee for disbursement of the Advance from the Project Account relating to the above Loan to the Borrower on the following terms, and hereby acknowledge and agree that such terms shall be binding upon Borrower under the provisions of the Loan Agreement governing this Advance:

| Project Component | Amount Expended to Date by Borrower | Amount Advanced to Date | Advance Amount Requested Herein | Percentage Complete |
|---|---|---|---|---|
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| Total | | | | |

Certified By:

_____ _____ _____

Signature Date Title of Authorized Officer

**PLEASE FAX TO 703-709-6776 ATTN: _____, Associate Vice President**

APPROVED:

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION

By: _____
Title: _____
Date: _____

**EXHIBIT B**

**BRING-DOWN CERTIFICATE**
**OF**
**BORROWER**

The undersigned, _____, duly qualified officers of SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (the *"Borrower"*), an Arizona corporation, hereby certify as follows:

1. The following documents have been duly executed, and delivered or accepted in the name and on behalf of the Borrower by the authorized officer or officers of the Borrower pursuant to, and in full compliance with, authority granted by the Board of Trustees/Directors of the Borrower:

| DOCUMENT | DATE | OTHER PARTY OR PARTIES |
|---|---|---|
| Loan Agreement (the *"Agreement"*) | _____, 200_ | National Rural Utilities Cooperative Finance Corporation (*"CFC"*) |
| Project Agreement (the *"Project Agreement"*) | _____, 200_ | |
| Note (the *"Note"*) | _____, 200_ | |

2. Each of the representations and warranties of the Borrower in the Loan Agreement and the Project Agreement are true and correct on and as of the date hereof (the *"Closing Date"*), and the Borrower has complied with all agreements and satisfied all conditions on its part to be observed or satisfied thereunder at or prior to the Closing Date.

IN WITNESS WHEREOF, the undersigned have hereunto set their signatures this ____ day of _____, 2008.

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

By _____
Title:

By _____
Title:

**EXHIBIT C**

**COMPLETION CERTIFICATE**
**OF**
**BORROWER**

Pursuant to the Loan Agreement dated as of _____ by and between SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (the "Borrower") and National Rural Utilities Cooperative Finance Corporation ("CFC") relating to CFC Loan Number AZ014-A-9050-CB001 (the "Loan Agreement"), the undersigned, _____, duly qualified officer of the Borrower, hereby certifies as follows:

(i) On [date of completion] all portions of the Project (as defined in the Loan Agreement) have been fully completed substantially in accordance with any plans and specifications therefore, as then amended; and

(ii) Amount advanced on the Loan (as defined in the Loan Agreement) and the use of the property financed, refinanced or reimbursed therefrom will not cause any of the representations or certifications contained in the Project Agreement (as defined in the Loan Agreement) to be untrue or result in a violation of any covenant in the Project Agreement.

IN WITNESS WHEREOF, the undersigned have hereunto set his/her signature this ____ day of _____, 20____.

SULPHUR SPRINGS VALLEY ELECTRIC
COOPERATIVE, INC.

By _____
Title:

**EXHIBIT D**

**TERMINATION CERTIFICATE**
**OF**
**BORROWER**

Pursuant to the Loan Agreement dated as of _____ by and between SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (the "Borrower") and National Rural Utilities Cooperative Finance Corporation ("CFC") relating to CFC Loan Number AZ014-A-9050-CB001 (the "Loan Agreement"), the undersigned, _____, duly qualified officer of the Borrower, hereby certifies as follows:

(i) all portions of the Project (as defined in the Loan Agreement) have not been fully completed substantially in accordance with any plans and specifications therefor, as then amended;

(ii) no further acquisition, construction or installation will occur with respect to the Project (as defined in the Loan Agreement); and

(iii) the Borrower does not intend to request any further Advances (as defined in the Loan Agreement) on the Loan (as defined in the Loan Agreement).

IN WITNESS WHEREOF, the undersigned have hereunto set his/her signature this ____ day of _____, 20____.

SULPHUR SPRINGS VALLEY ELECTRIC
COOPERATIVE, INC.

By _____
Title:

**SECURED PROMISSORY NOTE**

$840,000.00 dated as of 12/21/2007

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC., an Arizona corporation (the "Borrower"), for value received, hereby promises to pay, without setoff, deduction, recoupment or counterclaim, to the order of NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION (the "Payee"), at its office in Herndon, Virginia office or such other location at its office in Herndon, Virginia or such other location as the Payee may designate to the Borrower, in lawful money of the United States, the principal sum of EIGHT HUNDRED FORTY THOUSAND AND 00/100 DOLLARS ($840,000.00), or such lesser sum of the aggregate unpaid principal amount of all advances made by the Payee pursuant to that certain Loan Agreement dated as of even date herewith between the Borrower and the Payee, as it may be amended from time to time (herein called the "Loan Agreement"), and to pay interest on all amounts remaining unpaid hereunder from the date of each advance in like money, at said office, at the rate and in amounts and payable on the dates provided in the Loan Agreement together with any other amount payable under the Loan Agreement. If not sooner paid, any balance of the principal amount and interest accrued thereon shall be due and payable on the Maturity Date.

This Note is secured under a Restated Mortgage and Security Agreement, dated of December 6, 2007 between the Borrower and the Payee, as it may have been or shall be supplemented, amended, consolidated or restated from time to time ("Mortgage"). This Note is one of the Notes referred to in, and has been executed and delivered pursuant to, the Loan Agreement.

The principal hereof and interest accrued thereon and any other amount due under the Loan Agreement may be declared to be forthwith due and payable in the manner, upon the conditions, and with the effect provided in the Mortgage or the Loan Agreement.

The Borrower waives demand, presentment for payment, notice of dishonor, protest, notice of protest, and notice of non-payment of this Note.

IN WITNESS WHEREOF the Borrower has caused this Note to be signed in its corporate name and its corporate seal to be hereunto affixed and to be attested by its duly authorized officers, all as of the day and year first above written.

SULPHUR SPRINGS VALLEY
ELECTRIC COOPERATIVE, INC.

(SEAL)

By: _____

Title: President

Attest: _____
~~Secretary~~

CREDEN W. HUBER
CHIEF EXECUTIVE OFFICER

Loan No. AZ014-A-9051-CB001

**PROJECT AGREEMENT**

**OF**

**SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (THE *"BORROWER"*)**

DATED: as of 12/21/2007

The undersigned is a duly qualified officer of the Borrower named above and, as such officer, is familiar with (i) the properties, affairs and records of the Borrower, (ii) the issuance of the Securities (as hereinafter defined) and the use of the proceeds thereof as it relates to the Borrower and (iii) the Project, as hereinafter defined.

In connection with the issuance of the Clean Renewable Energy Bonds (Cooperative Renewable Energy Projects) Series 2008A (the *"Securities"*), being issued by the National Rural Utilities Cooperative Finance Corporation (the *"Issuer"*), the undersigned hereby certifies and covenants regarding the use of the proceeds of the Securities advanced to the Borrower, as follows:

1. General.

1.1 This Project Agreement is made pursuant to Section 54 of the Internal Revenue Code of 1986, as amended (the *"Code"*), and any United States Treasury regulations and other guidance thereunder to make the certifications required by Section 54 of the Code and any United Stares Treasury regulations and other guidance thereunder and to establish the reasonable expectations of the Borrower with respect to the amount and use of amounts to be advanced to the Borrower pursuant to the Loan Agreement dated as of even date herewith between the Issuer and the Borrower (the *"Loan Agreement"*). Capitalized terms used herein are defined where they first appear or are defined in *Exhibit A* attached hereto.

1.2 This Project Agreement is based on facts and estimates in existence on the date hereof and the continued veracity of these facts and estimates as of the date that the Securities are issued (the *"Closing"*) will be confirmed by the Borrower on the date of Closing, and on the basis of such facts and estimates, the Borrower expects that the events described herein will occur. To the best of the undersigned's knowledge, information, and belief, the expectations contained in this Project Agreement are reasonable.

1.3 The Borrower is a Qualified Borrower, as defined in *Exhibit A,* and is responsible for the acquiring/constructing/equipping of the Project (defined below). The undersigned has reviewed this Project Agreement, as well as the provisions of Section 54 of the Code and any United States Treasury regulations and other guidance thereunder, with its own legal counsel and understands and is familiar with this Project Agreement and the provisions of Section 54 and any United States Treasury regulations and other guidance thereunder. The Borrower will

comply in all respects with the provisions of Section 54 and any United States Treasury regulations and other guidance thereunder.

1.4 The Borrower agrees to keep and retain or cause to be kept and retained sufficient records to demonstrate compliance with the covenants in this Project Agreement. Such records shall include, but are not limited to, basic records relating to the issuance of the Securities (including this Project Agreement and the inducement resolution as described in Section 3.3 hereof); documentation evidencing the expenditure of amounts advanced to the Borrower pursuant to the Loan Agreement; documentation evidencing the use of property financed with amounts advanced to the Borrower pursuant to the Loan Agreement; and documentation evidencing all sources of payment or security maintained by the Borrower for amounts advanced to the Borrower pursuant to the Loan Agreement. Such records shall be kept until the date three (3) years after the CREB Maturity Date.

1.5 Neither the Borrower nor any Related Person (as defined in Exhibit A) to the Borrower will purchase any Securities.

2. Qualified Project.

2.1 The Loan Agreement requires the amounts advanced thereunder to be used for facilities to be owned by the Borrower, described in more detail in Section 2.2 hereof and in *Exhibit B* attached hereto as the "Updated Description of the Project" (the *"Project"*). The Project was originally described in an exhibit to the Application for National Clean Renewable Energy Bond Limitation submitted to the Internal Revenue Service by the Issuer in support of the national clean renewable energy bond allocation received by the Issuer, which "Original Description of the Project" is attached hereto as *Exhibit C.*

2.2 The Project is a Solar Energy Facility (the *"Qualifying Facility"*), as defined in *Exhibit A* and property functionally related and subordinate thereto, as further described in *Exhibit B,* attached hereto.

3. Clean Renewable Energy Bonds Qualification.

3.1 At least 95 percent of the proceeds advanced to the Borrower pursuant to the Loan Agreement will be used by the Borrower for capital expenditures with respect to the Project. None of the proceeds of the Loan (as defined in the Loan Agreement) will be paid to the Issuer, the Borrower or any Related Person to the Issuer or the Borrower, except for amounts paid to the Borrower to reimburse the Borrower for actual and direct expenditures relating to the Project paid by the Borrower to persons other than the Issuer, the Borrower or any Related Person to the Issuer or the Borrower.

3.2 The Borrower has incurred or will, within six months of the Closing Date, incur a substantial binding obligation (not subject to contingencies within the control of the Issuer, the Borrower or any Related Person to either of them) to a third party

to expend at least ten percent of the Loan Amount (*i.e.* the total amount to be advanced to the Borrower pursuant to the Loan Agreement). It is expected that the work of acquiring/constructing/equipping the Project and the expenditure of the Loan Amount will proceed with due diligence through September 8, 2008, at which time it is anticipated that the Loan Amount will have been spent in its entirety. The Borrower acknowledges that, to the extent that less than 95 percent of the Loan Amount is expended by a date five years from the date of issuance of the Securities, the Borrower will be required to prepay its Loan in an amount, and the Issuer will redeem Securities at the end of such five-year period in an amount, necessary to maintain the tax credit with respect to the Securities, unless otherwise permitted by Section 6.5 hereof.

It is expected that all amounts advanced to the Borrower under the Loan Agreement will be spent to pay costs of the Project in accordance with the estimated periodic drawdown schedule contained in *Exhibit D,* attached hereto. The assumptions set forth in this Section 3.2 and on *Exhibit D,* attached hereto, represent the Borrower's best estimate, as of this date, of the periodic drawdown schedule of the Loan Amount.

3.3 The Borrower may use amounts advanced to the Borrower under the Loan Agreement to reimburse itself for expenditures paid prior to the date of issuance of the Securities. The Borrower shall reimburse itself for expenditures paid prior to the date of issuance of the Securities only if such expenditure was paid after the Borrower adopted an inducement resolution, and the expenditure is described in such inducement resolution.

**The Borrower shall use proceeds of the Loan to reimburse itself for expenditures paid prior to the date the Securities were issued only if such reimbursement is made within eighteen months after the later of (i) the date the expenditure is paid or (ii) the date the Project is placed in service, but in no event later than three years after the date the original expenditure was paid.**

Except for any reimbursement allowed under this Section 3.3, no portion of the proceeds advanced to the Borrower will be used to pay for expenditures relating to acquiring existing facilities (as contrasted with costs of enhancements, repair or rehabilitation of existing facilities).

3.4 Neither the Project nor any portion thereof has been, is expected to be, or will be sold or otherwise disposed of, in whole or in part, prior to the last maturity date of the Securities.

3.5 The Borrower has entered into the Loan Agreement of even date hereof under which it is committed to borrow $840,000 from the Issuer of the Securities and the Borrower reasonably expects to borrow and expend the full amount of such commitment.

3.6 At least 75% of the Loan Amount is expected to be used for Construction Purposes.

3.7 The Borrower will not use proceeds of the Loan (i) to pre-pay for goods or services to be received over a period of years prior to the date such goods or services are to be received, or (ii) to pay for or otherwise acquire goods or services from an Affiliated Person, as defined in *Exhibit A*.

3.8 The Borrower shall at all times be a Qualified Borrower.

4. Remedial Action.

4.1 The Borrower agrees to operate the Project as a Qualifying Facility.

The Borrower acknowledges that if property financed with proceeds of the Securities advanced to the Borrower is operated in a manner other than as a Qualifying Facility such operation may constitute a "deliberate action" that may require remedial actions to prevent the tax credit being produced by the Securities from being disallowed.

The Borrower shall promptly contact the Issuer as provided in Section 6.3 hereof if it considers operating property financed with proceeds of the Loan other than as a Qualifying Facility.

4.2 The Borrower acknowledges that if property financed with proceeds of the Loan is sold or otherwise disposed of in a manner contrary to the provisions of Section 3.4 hereof, such sale or disposition may constitute a "deliberate action" that may require remedial actions to prevent the tax credit being produced by the Securities from being disallowed. If the Borrower considers the sale or other disposition of property financed with proceeds of the Loan, it shall promptly contact the Issuer, in the manner set forth in Section 6.3 hereof.

5. Funds and Accounts; Investments.

5.1 After the issuance of the Securities, neither the Borrower nor any Related Person to the Borrower has or will have any property, including cash, securities or any other property held as a passive vehicle for the production of income or for investment purposes, that constitutes:

(i) amounts that have a sufficiently direct nexus to the Securities or to the governmental purpose of the Securities to conclude that the amounts would have been used for that governmental purpose if the Securities were not used or to be used for that governmental purpose (the mere availability or preliminary earmarking of such amounts for a governmental purpose, however, does not itself establish such a sufficient nexus);

(ii) amounts in a debt service fund, redemption fund, reserve fund, replacement fund or any similar fund to the extent reasonably expected to be used directly or indirectly to pay principal of or interest on the Securities or any amounts for which there is provided, directly or indirectly, a reasonable assurance that the amount will be available to pay principal of or interest on the Securities or any credit enhancement or liquidity device with respect to the Securities, even if the Issuer, the Borrower or any Related Person to either of them encounter financial difficulties; or

(iii) any amounts held pursuant to any agreement (such as an agreement to maintain certain levels of types of assets) made for the benefit of the holders of the Securities or any credit enhancement provider, including any liquidity device or negative pledge (*e.g.*, any amount pledged to pay principal of or interest on an issue held under an agreement to maintain the amount at a particular level for the direct or indirect benefit of holders of the Securities or a guarantor of the Securities).

No compensating balance, liquidity account, negative pledge of property held for investment purposes required to be maintained at least at a particular level or similar arrangement exists with respect to, in any way, the Securities or any credit enhancement or liquidity device related to the Securities.

5.2 During the acquiring/constructing/equipping of the Project, the Borrower will only draw down amounts from the Issuer for capital expenditures already paid by the Borrower.

5.3 Neither the Borrower nor any Related Person to the Borrower will enter into any hedge (*e.g.*, an interest rate swap, interest rate cap, futures contract, forward contract or an option) with respect to the Loan or the Securities.

5.4 All property subject to the Mortgage is and will be used by the Borrower in the conduct of its trade or business. The Borrower reasonably expects to repay the Loan from current operating revenues. The Mortgage does not require that cash, securities, obligations, annuity contracts or other property held principally as a passive vehicle for the production of income be maintained, individually or collectively, at any particular level.

6. Miscellaneous.

6.1 This Project Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia.

6.2 Prior to the date 15 days before the Securities were sold, neither the Borrower nor any Related Person to the Borrower has sold or delivered any obligations that are reasonably expected to be paid out of substantially the same source of funds as the Securities. Neither the Borrower nor any Related Person to the Borrower will sell

or deliver within 15 days after the date hereof any obligations that are reasonably expected to be paid out of substantially the same source of funds as the Securities.

6.3 All notices provided for herein shall be given or made in writing (including, without limitation, by telecopy) and delivered to the Issuer at the "Address for Notices" specified below. All such communications shall be deemed to have been duly given (i) when personally delivered including, without limitation, by overnight mail or courier service, (ii) in the case of notice by United States mail, certified or registered, postage prepaid, return receipt requested, upon receipt thereof, or (iii) in the case of notice by telecopy, upon transmission thereof, provided such transmission is promptly confirmed by either of the methods set forth in clauses (i) or (ii) above in each case given or addressed as provided for herein. The Address for Notices of the Issuer is as follows:

National Rural Utilities Cooperative Finance Corporation
2201 Cooperative Way
Herndon, Virginia 20171-3025
Attention: Senior Vice President – Member Services
Fax #703-709-6776

6.4 The Borrower represents that it has not been contacted by the Internal Revenue Service or any issuer of bonds, the proceeds of which were loaned to the Borrower regarding any examination of any tax exempt bonds issued for the benefit of the Borrower. To the best of the knowledge of the Borrower, no such obligations of the Borrower are currently under examination by the Internal Revenue Service.

6.5 Any restriction or covenant contained herein need not be observed or may be changed if such nonobservance or change will not result in the loss of any tax credit under Section 54 of the Code for the purpose of federal income taxation to which the Securities is otherwise entitled and the Borrower receives an opinion of Bond Counsel to such effect and the Issuer agrees to such nonobservance or change.

6.6 If any clause, provision or section of this Project Agreement is ruled invalid by any court of competent jurisdiction, the invalidity of such clause, provision or section shall not affect any of the remaining clauses, sections or provisions hereof.

6.7 The terms, provisions, covenants and conditions of this Project Agreement shall bind and inure to the benefit of the respective successors and assigns of the Issuer and the Borrower.

6.8 This Project Agreement shall terminate on the date three (3) years after the CREB Maturity Date.

The undersigned acknowledge that this Project Agreement is given as a basis for an opinion of the law firm of Chapman and Cutler LLP, Chicago, Illinois, and such firm is hereby authorized to rely on this Project Agreement.

DATED as of the day and year first above written.

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

By Gene Mamin

Title President

## EXHIBIT A

## DEFINITIONS

*"Affiliated Person"* means any Person that (a) at any time during the six months prior to the Closing Date, (i) has more than five percent of the voting power of the governing body of the Issuer or the Borrower in the aggregate vested in its directors, officers, owners, and employees or (ii) has more than five percent of the voting power of its governing body in the aggregate vested in directors, officers, board members, owners, members or employees of the Issuer or the Borrower or (b) during the one-year period beginning six months prior to the Closing Date, (i) the composition of the governing body of which is modified or established to reflect (directly or indirectly) representation of the interests of the Issuer or the Borrower (or for which an agreement, understanding, or arrangement relating to such a modification or establishment during that one-year period) or (ii) the composition of the governing body of the Issuer or the Borrower is modified or established to reflect (directly or indirectly) representation of the interests of such Person (or for which an agreement, understanding, or arrangement relating to such a modification or establishment during that one-year period).

*"Bond Counsel"* means Chapman and Cutler LLP or any other nationally recognized firm of attorneys experienced in the field of municipal obligations whose opinions are generally accepted by purchasers of municipal obligations.

*"Closing Date"* means the date the Issuer issues the Securities.

*"Code"* means the Internal Revenue Code of 1986, as amended.

*"Constructed Personal Property"* means tangible personal property (or, if acquired pursuant to a single acquisition contract, properties) or Specially Developed Computer Software if (i) a substantial portion of the property or properties is completed more than six (6) months after the earlier of the date construction or rehabilitation commenced and the date the Borrower entered into an acquisition contract; (ii) based on the reasonable expectations of the Borrower, if any, or representations of the person constructing the property, with the exercise of due diligence, completion of construction or rehabilitation (and delivery to the issuer) could not have occurred within that six-month period; and (iii) if the Borrower itself builds or rehabilitates the property, not more than 75 percent of the capitalizable cost is attributable to property acquired by the Borrower (*e.g.,* components, raw materials, and other supplies).

*"Construction Purposes"* means capital expenditures that are allocable to the cost of Real Property or Constructed Personal Property. Except as provided in the next succeeding sentence, construction expenditures do not include expenditures for acquisitions of interests in land or other existing real property. Expenditures are not for the acquisition of an interest in existing real property other than land if the contract between the seller and the Borrower requires the seller to build or install the property (*e.g.,* a *turnkey contract*), but only to the extent that the property has not been built or installed at the time the parties enter into the contract.

*"Control"* means the possession, directly or indirectly through others, of either of the following discretionary and non-ministerial rights or powers over another entity (i) to approve and to remove without cause a controlling portion of the governing body of a Controlled Entity, or (ii) to require the use of funds or assets of a Controlled Entity for any purpose.

*"Controlled Entity"* means any entity or one of a group of entities that is subject to Control by a Controlling Entity or group of Controlling Entities.

*"Controlled Group"* means a group of entities directly or indirectly subject to Control by the same entity or group of entities, including the entity that has the Control of the other entities.

*"Controlling Entity"* means any entity or one of a group of entities directly or indirectly having Control of any entities or group of entities.

*"CREB Maturity Date"* shall have the meaning ascribed to it in the Loan Agreement.

*"Governmental Body"* means any State, territory, possession of the United States, the District of Columbia, Indian tribal government, and any political subdivision thereof.

*"Mortgage"* means the mortgage and security agreement applicable to substantially all of the property of the Borrower.

*"Qualified Borrower"* means (i) a mutual or cooperative electric company described in Sections 501(c)(12) or 1381(a)(2)(C) of the Code, or (ii) a Governmental Body (as defined above).

*"Real Property"* means land and improvements to land, such as buildings or other inherently permanent structures, including interests in real property. For example, real property includes wiring in a building, plumbing systems, central heating or air-conditioning systems, pipes or ducts, elevators, escalators installed in a building, paved parking areas, roads, wharves and docks, bridges, and sewage lines.

*"Related Person"* means any member of the same Controlled Group as the Issuer or the Borrower and any person related to the Issuer or a Borrower within the meaning of Section 144(a)(3) of the Code.

*"Solar Energy Facility"* means a facility using solar energy to produce electricity.

*"Specially Developed Computer Software"* means any programs or routines used to cause a computer to perform a desired task or set of tasks, and the documentation required to describe and maintain those programs, provided that the software is specially developed and is functionally related and subordinate to real property or other constructed personal property.

*"Tangible Personal Property"* means any tangible property other than real property, including interests in tangible personal property. For example, tangible personal property

includes machinery that is not a structural component of a building, subway cars, fire trucks, automobiles, office equipment, testing equipment, and furnishings.

## EXHIBIT B

### UPDATED DESCRIPTION OF THE PROJECT

| | |
|---|---|
| CFC Application | No. 21 Sulphur Springs Valley EC, Inc. |
| Bond Proceeds Needed for Project: | $840,000 |
| Bond Allocation Requested and Received: | $840,000 |
| Name of Project | Willcox Unified School District Photovoltaic Solar Automobile Parking Shade Structure |

Project Street Address

| Willcox High School | Willcox Middle School | Willcox Elementary School |
|---|---|---|
| 240 Bisbee Avenue | 360 Bisbee Avenue | 501 W. Delos Street |
| Willcox, AZ 85643 | Willcox, AZ 85643 | Willcox, AZ 85643 |

| | |
|---|---|
| County | Cochise County |
| Individual Name to Contact | Jack Blair |
| Company Name | Sulphur Springs Valley Electric Cooperative, Inc. |
| Street Address | 311 E. Wilcox Drive |
| City, State, Zip | Sierra Vista, AZ 85635 |
| Telephone Number | (520) 515-3470 |
| Fax | (520) 458-3467 |

Updated Detailed Description of the Project: No changes.

Details of the Project and costs of the components such as land, site prep, equipment, installation, other dedicated facilities such as transmission, and capacity.

## EXHIBIT C

### ORIGINAL DESCRIPTION OF THE PROJECT

### [COPY OF EXHIBIT A TO ISSUER APPLICATION TO THE IRS]
### CLEAN RENEWABLE ENERGY BONDS APPLICATION
### EXHIBIT A

### SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

### WILLCOX UNIFIED SCHOOL DISTRICT PHOTOVOLTAIC SOLAR AUTOMOBILE PARKING SHADE STRUCTURE

This project will place photovoltaic modules costing $280,000 each, that will produce 20 kW of electricity in the automobile parking shade structures in the three Willcox Unified School District school parking lots, as noted in item 9 of the application. The PV structure will provide electricity to the respective school at no charge. There will also be a cable connection to a computer in the library of each school to show students how the system is working.

This project is the identical project that Navopache Electric Cooperative in Arizona built in 2001 that continues to function with no issues/problems.

SSVEC will operate and maintain the structure. Any excess power produced will flow back to the SSVEC grid.

The PV structures at the schools will significantly reduce their electric bills, which have been disproportionately large due to the per meter monthly surcharges mandated by the Environmental Portfolio Program (EPP), and approved by the Arizona Corporation Commission. All customers pay the EPP fees to SSVEC, which uses them to fund renewable energy projects. Since each school has many meters, they pay the EPP a disproportionately large amount of dollars. The benefit of reduced electric bills will offset their payments into the fund.

The RFP issued by Sulphur Springs Valley Electric Cooperative follows.

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.
A TOUCHSTONE ENERGY® COOPERATIVE

FOR THE ELECTRIC COOPERATIVES IN THE STATE OF ARIZONA

# REQUEST
# A
# PROPOSAL

FOR

## A PHOTOVOLTAIC SYSTEM
## USED FOR
## CARPORT OR SHADE STRUCTURES
## FOR
## PUBLIC BUILDINGS

**ISSUED: AUGUST 1, 2005**

Narrative: The Electric Cooperatives in Arizona (Duncan Valley EC, Graham County EC, Mohave EC, Navopache EC, Sulphur Springs Valley EC, Trico EC and Arizona Electric Power Cooperative, Inc.) request a proposal for a modular designed system to supply a 10kW to 30 kW Photovoltaic (PV) system. System size is relative to the space available for the PV panels on each site. System may consist of multiple free standing modules interconnected to meet the 10 to 30 kW size requirement. Modules to be used as free standing carports or free standing covers for walkways to provide shade. These systems are to be used at public buildings to increase the awareness of PV systems and operations and systems will be sized based on the available space. Base pricing for 10, 15, 20, 25, and 30 kW systems are requested (systems may be rounded to the nearest 5kW increment). The interconnection cost from the PV system to nearest distribution panel will be on a case by case basis due to the variation in sites. This RFP is not all-inclusive and contractor may include other specifications or requirements they feel are necessary for a successful venture.

This RFP is released on August 1,2005 and response must be in a written proposal by October 1, 2005. For questions or clarification of details please contact Albert Gomez (520-515-3473) or David Bane (520-515-3472).

SCOPE OF WORK - THE CONTRACTOR WILL BE RESPONSIBLE FOR THE FOLLOWING:

- Structural design of the supporting PV structures (carport and walkway)
- One line circuit diagrams for approval by local Cooperative's engineering department
- Complete wiring diagrams (to be included in owner manual)
- Isolation transformers as needed to meet the NEC
- Purchase and installation of all components

- Systems test period of 4-6 weeks prior to transfer of title of equipment to site owner
- Any required Permits (Cooperative will reimburse actual cost of permits)
- Meter socket on the A/C output of the inverter(s)
- Interconnection with Customers electric service
- Fencing around inverters and other equipment as required for security and public safety
- Project to meet or exceed SunWatts standards
- Basic training for site owner / site operator
- Operators Manual

THE COOPERATIVE WILL PROVIDE THE FOLLOWING:

- Meter to measure AC output from PV system to owners electric panel
- Written permission from site owner to build the PV Module
- Act as the point of contact with the installation Contractor on behalf of the site owner

STRUCTURAL DESIGN REQUIREMENTS:

The basic structure is to support the PV cells but must be able to work as a carport with all the required clearances. Support should be in a cantilever style to allow easy parking, spacing on vertical supports should be in multiples of 10 feet to be able to match typical parking lot spacing, height should allow the parking of full size passenger vans, and structure does not have to be water proof (providing shade to vehicles is secondary to the production of energy). Sample profile (to show intent not required design) is on page 4. Ideal structure would have the ability to support PV panels that would be effective if the long side of the structure is in a North-South as well as East-West orientation.

PV DESIGN REQUIREMENTS:

- PV panels shall have warranty for a minimum of 15 years to cover rated output (output degradation not to exceed 20% over life of panel)
- All system components will be UL certified
- System will include isolation transformers per section 250-30 of the NEC
- Polyphase inverter with voltage to match customer's system
- Inverter to match capacity of project
- 15 year manufacturers warranty on Inverter (contractor may use an extended warranty insurance policy to meet 15 year requirement)
- Contractor will warranty repair labor at 100% for first 5 years, 66% of labor for second 5 years, and 33% of labor for remaining 5 years, (limited to warranty repairs)
- Interconnection costs from site of PV system to nearest practical distribution panel will be on a case by case basis, (site selection process will keep this as short as possible)

SUNWATTS REQUIREMENTS:

- One-line drawings subject to approval by local Cooperative's engineering department
- Units to operate in parallel with grid

- Includes protection for out of frequency problems
- Low harmonics
- Inverter must disconnect in the event grid power is lost
- Lockable safety switch located between the inverter and meter socket

TRAINING REQUIREMENTS:

The Contractor will provide sufficient time with the site owner to explain how to disconnect the system, locate inverter, identify all junction boxes between the modules, and identify any system warning lights or displays. Contractor will also provide system manual with basic operating instructions and all the associated warranty information and manufacturer contacts listed.

## EXHIBIT D

## MONTHLY DRAWDOWN SCHEDULE OF AMOUNTS TO BE ADVANCED TO THE BORROWER PURSUANT TO THE LOAN AGREEMENT

| DATE ON WHICH PROCEEDS ARE EXPECTED TO BE EXPENDED | AMOUNTS OF PROCEEDS TO BE EXPENDED |
|---|---|
| August 25, 2008 | $280,000 |
| September 1, 2008 | $280,000 |
| September 8, 2008 | $280,000 |

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

To

NATIONAL RURAL UTILITIES
COOPERATIVE FINANCE CORPORATION
Issuer

# LOAN AGREEMENT

Dated as of 12/21, 2007

Clean Renewable Energy Bonds
(Cooperative Renewable Energy Projects) Series 2008A
of National Rural Utilities Cooperative Finance Corporation

CFC LOANAG
AZ014-A-9051-CB001 (JABLONJ)
117615-2

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## LOAN AGREEMENT

**LOAN AGREEMENT** (this "Agreement") dated as of _____, between SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. ("Borrower"), a corporation organized and existing under the laws of the State of Arizona and NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION ("CFC"), a cooperative association organized and existing under the laws of the District of Columbia.

## RECITALS

**WHEREAS,** the Borrower has applied to CFC for a loan for the purposes set forth in Schedule 1 hereto, and CFC is willing to make such a loan to the Borrower on the terms and conditions stated herein; and

**WHEREAS,** the Borrower has agreed to execute a promissory note to evidence an indebtedness in the aggregate principal amount of the CFC Commitment (as hereinafter defined).

**NOW, THEREFORE,** for and in consideration of the premises and the mutual covenants hereinafter contained, the parties hereto agree and bind themselves as follows:

## ARTICLE I

## DEFINITIONS

**Section 1.01** For purposes of this Agreement, the following capitalized terms shall have the following meanings (such definitions to be equally applicable to the singular and the plural form thereof). Capitalized terms that are not defined herein shall have the meanings as set forth in the Mortgage.

**"Accounting Requirements"** shall mean any system of accounts prescribed by a federal regulatory authority having jurisdiction over the Borrower or, in the absence thereof, the requirements of GAAP applicable to businesses similar to that of the Borrower.

**"Advance"** shall mean each advance of funds by CFC to the Borrower pursuant to the terms and conditions of this Agreement, including the Initial Advance and the Primary Advance.

**"Authorized Officer of the Borrower"** means the Chairman, General Manager or Chief Financial Officer of the Borrower or any other person authorized by the Board of the Borrower so to act or any other person performing a function similar to the function performed by any such officer or authorized person.

**"Average DSC Ratio"** shall mean the average of the Borrower's two highest annual DSC Ratios during the most recent three calendar years.

**"Bond Counsel"** means an attorney at law or a firm of attorneys (designated by CFC and acceptable to the Trustee) of nationally recognized standing in matters pertaining to the tax-exempt nature of interest or tax credits on bonds issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of any state of the United States of America.

**"Business Day"** shall mean any day that both CFC and the depository institution CFC utilizes for funds transfers hereunder are open for business.

**"CFC Commitment"** shall have the meaning as defined in Schedule 1.

**"CFC CREB Rate"** shall mean the interest rate charged by CFC for loans made by CFC from proceeds of the CREBs which rate shall not exceed one hundred and fifty basis points (150/100 of 1%) per annum.

**"Closing Date"** shall mean the date CFC issues the CREBs.

**"Code"** shall mean the Internal Revenue Code of 1986, as supplemented and amended.

**"Completion Certificate"** shall mean the certificate of the Borrower required by Section 5.01.P of this Agreement, substantially in the form of Exhibit C hereto.

**"CREBs"** shall mean the series of Securities issued by CFC to provide financing for the Project.

**"CREB Maturity Date"** shall mean the maturity date of the CREBs, which shall be the December 15th prior to the Maximum CREB Term Anniversary Date.

**"Debt Service Coverage ("DSC") Ratio"** shall mean the ratio determined as follows: for any calendar year add (i) Operating Margins, (ii) Non-Operating Margins--Interest, (iii) Interest Expense, (iv) Depreciation and Amortization Expense, and (v) cash received in respect of generation and transmission and other capital credits, and divide the sum so obtained by the sum of all payments of Principal and Interest Expense required to be made during such calendar year; provided, however, that in the event that any amount of Long-Term Debt has been refinanced during such year, the payments of Principal and Interest Expense required to be made during such year on account of such refinanced amount of Long-Term Debt shall be based (in lieu of actual payments required to be made on such refinanced amount of Long-Term 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 payment of Principal and Interest Expense required to be made during the following year on account of such refinancing debt.

**"Default Rate"** shall mean a rate per annum equal to one hundred and fifty basis points (150/100 of 1%).

**"Depreciation and Amortization Expense"** shall mean an amount constituting the depreciation and amortization of the Borrower computed pursuant to Accounting Requirements.

**"Determination of Tax Credit Ineligibility"** shall mean a determination that a particular series of Securities does not qualify for a tax credit for the owner thereof under Section 54 of the Code, which determination shall be deemed to have been made upon the occurrence of the first to occur of the following:

(a) the date on which CFC determines that there is a significant likelihood that a particular series of Securities may not qualify for a tax credit, if such determination is supported by a written opinion of Bond Counsel to that effect; or

(b) the date on which CFC shall receive notice in writing that the Trustee has been advised by the owner of any Security that a particular series of Securities does not qualify for a tax credit for the owner thereof, based upon a final determination made either by: (A) the Internal Revenue Service in a published or private ruling or technical advice memorandum or (B) any court of competent jurisdiction in the United States of America, as a result of a failure by CFC or any borrower to observe any agreement or representation in the Tax Compliance Agreement or a Loan Agreement or Project Agreement relating to the proceeds of the Securities. Any such determination will not be considered final for this purpose unless the Owner of the Securities involved in the proceeding or action resulting in the determination (i) gives CFC and the Trustee prompt written notice of the commencement thereof and (ii) if CFC agrees to pay all expenses in connection therewith and to indemnify such Owner of the Securities against all liabilities in connection therewith, offers CFC an opportunity to contest the determination, either directly or in the name of the Owner of the Securities, and until conclusion of any review, if sought.

**"Distributions"** shall mean, with respect to the Borrower, any dividend, patronage refund, patronage capital retirement or cash distribution to its members, or consumers (including but not limited to any general cancellation or abatement of charges for electric energy or services furnished by the Borrower). The term "Distribution" shall *not* include (a) a distribution by the Borrower to the estate of a deceased patron, (b) repayment by the Borrower of a membership fee upon termination of a membership, or (c) any rebate to a patron resulting from a cost abatement received by the Borrower, such as a reduction of wholesale power cost previously incurred.

**"Draw Period"** shall have the meaning as described in Schedule 1 hereto.

**"Environmental Laws"** shall mean all laws, rules and regulations promulgated by any Governmental Authority, with which Borrower is required to comply, regarding the use, treatment, discharge, storage, management, handling, manufacture, generation, processing, recycling, distribution, transport, release of or exposure to any Hazardous Material.

**"Equity"** shall mean the aggregate of the Borrower's equities and margins computed pursuant to Accounting Requirements.

**"Event of Default"** shall have the meaning as described in Article VI hereof.

**"Funds Requisition Statement"** shall mean the certificate of the Borrower, in the form set forth as Exhibit A to this Agreement, by which the Borrower will obtain an advance of funds from CFC under the Loan.

**"GAAP"** shall mean generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board.

**"Governmental Authority"** shall mean the government of the United States of America, any other nation or government, any state or other political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

**"Hazardous Material"** shall mean any (a) petroleum or petroleum products, radioactive materials, asbestos-containing materials, polychlorinated biphenyls, lead and radon gas, and (b) any

other substance designated as hazardous or toxic or as a pollutant or contaminant under any Environmental Law.

**"Indenture"** shall mean the Indenture between CFC and U.S. Bank Trust Company National Association, relating to the first issue of Securities, pursuant to which the Securities, including the CREBs are issued, as supplemented and amended.

**"Initial Advance"** shall mean the Advance made by CFC on the Closing Date pursuant to Section 3.02.A hereof to fund a portion of CFC's costs in issuing the CREBs attributable to the CFC Commitment, including, but not limited to, original issue discount, underwriting discount and other costs of issuance, including, without limitation, rating agency costs and legal, underwriting and Trustee expenses.

**"Interest Expense"** shall mean an amount constituting the interest expense with respect to Long-Term Debt of the Borrower computed pursuant to Accounting Requirements. 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 Restricted Rentals paid by the Borrower over 2% of the Borrower's Equity.

**"Lien"** shall mean any statutory or common law consensual or non-consensual mortgage, pledge, security interest, encumbrance, lien, right of set off, claim or charge of any kind, including, without limitation, any conditional sale or other title retention transaction, any lease transaction in the nature thereof and any secured transaction under the Uniform Commercial Code.

**"Loan"** shall mean the loan made by CFC to the Borrower, pursuant to this Agreement and the Note, in an aggregate principal amount not to exceed the CFC Commitment.

**"Loan Capital Term Certificate" or "LCTC"** shall mean a certificate, or book entry form of account, evidencing the Borrower's purchase of equity in CFC.

**"Loan Documents"** shall mean this Agreement, the Note, the Mortgage, the Project Agreement and all other documents or instruments executed, delivered or executed and delivered by the Borrower and evidencing, securing, governing or otherwise pertaining to, the Loan.

**"Long-Term Debt"** shall mean an amount constituting the long-term debt of the Borrower computed pursuant to Accounting Requirements.

**"Maturity Date"** shall mean the Payment Date immediately prior to the CREB Maturity Date permitted for the CREBs under Section 54(e)(2) of the Code as in effect on the Closing Date.

**"Maximum CREB Term Anniversary Date"** shall mean the anniversary of the Closing Date that occurs at the maximum term permitted for the CREBs under Section 54(e)(2) of the Code as in effect on the Closing Date.

**"Mortgage"** shall have the meaning as described in Schedule 1 hereto.

**"Mortgaged Property"** shall have the meaning ascribed to it in the Mortgage.

**"Non-Operating Margins--Interest"** shall mean the amount representing the interest component of non-operating margins of the Borrower computed pursuant to Accounting Requirements.

**"Note"** shall mean the secured promissory note, payable to the order of CFC, executed by the Borrower, dated as of even date herewith, pursuant to this Agreement as identified on Schedule 1 hereto and shall include any substitute note or modification thereto.

**"Obligations"** shall mean any and all liabilities, obligations or indebtedness owing by the Borrower to CFC, of any kind or description, irrespective of whether for the payment of money, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising.

**"Operating Margins"** shall mean the amount of patronage capital and operating margins of the Borrower computed pursuant to Accounting Requirements.

**"Payment Date"** shall mean the first (1st) day of each of March, June and September and December.

**"Payment Notice"** shall mean a notice furnished by CFC to the Borrower that indicates the amount of each payment of interest or interest and principal and the total amount of each payment due.

**"Permitted Encumbrances"** shall have the meaning ascribed to it in the Mortgage.

**"Person"** shall mean natural persons, cooperatives, corporations, limited liability companies, limited partnerships, general partnerships, limited liability partnerships, joint ventures, associations, companies, trusts or other organizations, irrespective of whether they are legal entities, and Governmental Authorities.

**"Primary Advance"** shall mean the Advance made by CFC to the Borrower pursuant to Section 3.02.B hereof two Business Days after the Closing Date to reimburse Borrower for costs of the Project.

**"Principal"** shall mean the amount of principal billed on account of Long-Term Debt of the Borrower computed pursuant to Accounting Requirements.

**"Project"** shall mean the project being financed pursuant to the Loan, as further described in Schedule 1.

**"Project Account"** means an account created pursuant to the Indenture within the Project Fund related to the CREBs.

**"Project Agreement"** shall mean the Project Agreement, dated as of even date herewith, executed by the Borrower with respect to the Project and the CREBs.

**"Project Fund"** means the Project Fund created and identified as such in the Indenture.

**"Restricted Rentals"** shall mean all rentals required to be paid under finance leases and charged to income, exclusive of any amounts paid under any such lease (whether or not designated therein as rental or additional rental) for maintenance or repairs, insurance, taxes, assessments, water rates or similar charges. For the purpose of this definition the term "finance lease" shall mean any lease having a rental term (including the term for which such lease may be renewed or extended at the option of the lessee) in excess of three (3) years and covering property having an initial cost in excess of $250,000 other than automobiles, trucks, trailers, other vehicles (including without

limitation aircraft and ships), office, garage and warehouse space and office equipment (including without limitation computers).

**"Securities"** shall mean one or more series of clean renewable energy bonds issued by CFC under the Indenture.

**"Subsidiary"** as to any Person, shall mean a corporation, partnership, limited partnership, limited liability company or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise qualified, all references to a "Subsidiary" or to "Subsidiaries" in this Agreement shall refer to a Subsidiary or Subsidiaries of the Borrower.

**"Tax Compliance Agreement"** means a tax compliance certificate and agreement of CFC with respect to a series of Securities, as accepted by the Trustee, as amended.

**"Termination Certificate"** shall mean the certificate of the Borrower required by Section 5.01.Q of this Agreement, substantially in the form of Exhibit D hereto.

**"Total Assets"** shall mean an amount constituting the total assets of the Borrower computed pursuant to Accounting Requirements.

**"Total Utility Plant"** shall mean the amount constituting the total utility plant of the Borrower computed pursuant to Accounting Requirements.

**"Trustee"** shall mean U.S. Bank Trust Company National Association and its successors and assigns.

## ARTICLE II

## REPRESENTATIONS AND WARRANTIES

**Section 2.01** The Borrower represents and warrants to CFC that as of the date of this Agreement:

A. **Good Standing.** The Borrower is duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization, is duly qualified to do business and is in good standing in those states in which it is required to be qualified to conduct its business. The Borrower is a member in good standing of CFC.

B. **Subsidiaries and Ownership.** Schedule 1 hereto sets forth a complete and accurate list of the Subsidiaries of the Borrower showing the percentage of the Borrower's ownership of the outstanding stock, membership interests or partnership interests, as applicable, of each Subsidiary.

C. **Authority; Validity.** The Borrower has the power and authority to enter into this Agreement, the Note, the Project Agreement and the Mortgage; to make the borrowing hereunder; to execute and deliver all documents and instruments required hereunder and to incur and perform the obligations provided for herein, in the Note, in the Project Agreement and in the Mortgage, all of which have been duly authorized by all necessary and proper action; and no consent or approval of

any Person, including, as applicable and without limitation, members of the Borrower, which has not been obtained is required as a condition to the validity or enforceability hereof or thereof.

Each of this Agreement, the Note, the Project Agreement and the Mortgage is, and when fully executed and delivered will be, legal, valid and binding upon the Borrower and enforceable against the Borrower in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity.

**D. No Conflicting Agreements.** The execution and delivery of the Loan Documents and performance by the Borrower of the obligations thereunder, and the transactions contemplated hereby or thereby, will not: (i) violate any provision of law, any order, rule or regulation of any court or other agency of government, any award of any arbitrator, the articles of incorporation or by-laws of the Borrower, or any indenture, contract, agreement, mortgage, deed of trust or other instrument to which the Borrower is a party or by which it or any of its property is bound; or (ii) be in conflict with, result in a breach of or constitute (with due notice and/or lapse of time) a default under, any such award, indenture, contract, agreement, mortgage, deed of trust or other instrument, or result in the creation or imposition of any Lien (other than contemplated hereby) upon any of the property or assets of the Borrower.

The Borrower is not in default in any material respect under any agreement or instrument to which it is a party or by which it is bound and no event or condition exists which constitutes a default, or with the giving of notice or lapse of time, or both, would constitute a default under any such agreement or instrument.

**E. Taxes.** The Borrower, and each of its Subsidiaries, has filed or caused to be filed all federal, state and local tax returns which are required to be filed and has paid or caused to be paid all federal, state and local taxes, assessments, and governmental charges and levies thereon, including interest and penalties to the extent that such taxes, assessments, and governmental charges and levies have become due, except for such taxes, assessments, and governmental charges and levies which the Borrower or any Subsidiary is contesting in good faith by appropriate proceedings for which adequate reserves have been set aside.

**F. Licenses and Permits.** The Borrower has duly obtained and now holds all licenses, permits, certifications, approvals and the like necessary to own and operate its property and business that are required by Governmental Authorities and each remains valid and in full force and effect.

**G. Litigation.** There are no outstanding judgments, suits, claims, actions or proceedings pending or, to the knowledge of the Borrower, threatened against or affecting the Borrower, its Subsidiaries or any of their respective properties which, if adversely determined, either individually or collectively, would have a material adverse effect upon the business, operations, prospects, assets, liabilities or financial condition of the Borrower or its Subsidiaries. The Borrower and its Subsidiaries are not, to the Borrower's knowledge, in default or violation with respect to any judgment, order, writ, injunction, decree, rule or regulation of any Governmental Authority which would have a material adverse effect upon the business, operations, prospects, assets, liabilities or financial condition of the Borrower or its Subsidiaries.

**H. Financial Statements.** The balance sheet of the Borrower as at the date identified in Schedule 1 hereto, the statement of operations of the Borrower for the period ending on said date, and the interim financial statements of the Borrower, all heretofore furnished to CFC, are complete and correct. Said balance sheet fairly presents the financial condition of the Borrower as at said date

and said statement of operations fairly reflects its operations for the period ending on said date. The Borrower has no contingent obligations or extraordinary forward or long-term commitments except as specifically stated in said balance sheet or herein. There has been no material adverse change in the financial condition or operations of the Borrower from that set forth in said financial statements except changes disclosed in writing to CFC prior to the date hereof.

I. **Borrower's Legal Status.** Schedule 1 hereto accurately sets forth: (i) the Borrower's exact legal name, (ii) the Borrower's organizational type and jurisdiction of organization, (iii) the Borrower's organizational identification number or accurate statement that the Borrower has none, and (iv) the Borrower's place of business or, if more than one, its chief executive office as well as the Borrower's mailing address if different.

J. **Required Approvals.** Other than the CREBs allocation received from the Internal Revenue Service, no license, consent or approval of any Governmental Authority is required to enable the Borrower to enter into this Agreement, the Project Agreement, the Note and the Mortgage, or to perform any of its Obligations provided for in such documents, including without limitation (and if applicable), that of any state public utilities commission, any state public service commission, and the Federal Energy Regulatory Commission, except as disclosed in Schedule 1 hereto, all of which the Borrower has obtained prior to the date hereof.

K. **Compliance With Laws.** The Borrower and each Subsidiary is in compliance, in all material respects, with all applicable requirements of law and all applicable rules and regulations of each Governmental Authority.

L. **Disclosure.** To the Borrower's knowledge, information and belief, neither this Agreement nor any document, certificate or financial statement furnished to CFC by or on behalf of the Borrower in connection herewith (all such documents, certificates and financial statements, taken as a whole) contains any untrue statement of a material fact or omits to state any material fact necessary in order to make the statements contained herein and therein not misleading.

M. **No Other Liens.** As to property which is presently included in the description of Mortgaged Property, the Borrower has not, without the prior written approval of CFC, executed or authenticated any security agreement or mortgage, or filed or authorized any financing statement to be filed with respect to assets owned by it, other than security agreements, mortgages and financing statements in favor of CFC, except as disclosed in writing to CFC prior to the date hereof or relating to Permitted Encumbrances.

N. **Environmental Matters.** Except as to matters which individually or in the aggregate would not have a material adverse effect upon the business or financial condition of the Borrower or its Subsidiaries, (i) Borrower is in compliance with all Environmental Laws (including, but not limited to, having any required permits and licenses), (ii) there have been no releases (other than releases remediated in compliance with Environmental Laws) from any underground or aboveground storage tanks (or piping associated therewith) that are or were present at the Mortgaged Property, (iii) Borrower has not received written notice or claim of any violation of any Environmental Law, (iv) there is no pending investigation of Borrower in regard to any Environmental Law, and (v) to the best of Borrower's knowledge, there has not been any release or contamination (other than releases or contamination remediated in compliance with Environmental Laws) resulting from the presence of Hazardous Materials on property owned, leased or operated by the Borrower.

O. **Project Agreement.** As set forth in the Project Agreement, the Project constitutes "a qualified project" as defined in Section 54(d)(2)(A) of the Code. As set forth in the Project Agreement,

the Borrower constitutes currently, and will remain through the period that the CREBs remain outstanding, "a Qualified Borrower", meaning a (i) mutual or cooperative electric company described in Sections 501(c)(12) or 1381(a)(2)(C) of the Code, or (ii) a Governmental Body, which is defined as any state, territory possession of the U.S., the District of Columbia, Indian tribal government, and any political subdivision thereof. The statements, information and descriptions contained in the Project Agreement are true, correct and complete, and do not contain any untrue statement or misleading statement of a material fact, and do not omit to state a material fact required to be stated therein or necessary to make the statements, information and descriptions contained therein, in the light of the circumstances under which they were made, not misleading, and the estimates and the assumptions contained in the Project Agreement are reasonable and based on the best information available to the Borrower.

## ARTICLE III

## LOAN

**Section 3.01 Definitions.** For purposes of this Article 3, the following capitalized terms shall have the following meanings:

**"Borrower's Annual Bond Repayment Amount"** shall mean the amount determined by dividing the CFC Commitment by the number of years from the Closing Date to the Maximum CREB Term Anniversary Date, which amount shall be recalculated on the date CFC rescinds any excess moneys pursuant to Section 3.05 or 3.06 hereof.

**"Quarterly Bond Deposit Amount"** shall mean for each Payment Date, the amount determined by subtracting from the Quarterly Bond Repayment Amount the principal amount payable by the Borrower pursuant to Section 3.03.A(ii)(b)(1) on such Payment Date.

**"Quarterly Bond Repayment Amount"** shall mean one-fourth (¼) of the Borrower's Annual Bond Repayment Amount.

**Section 3.02 Advances.** The obligation of the Borrower to repay the Advances shall be evidenced by the Note. The aggregate amount of all Advances made hereunder shall not exceed the CFC Commitment. At the end of the Draw Period, CFC shall have no further obligation to make Advances.

**A. Initial Advance.** Borrower hereby agrees that on the Closing Date, CFC shall automatically, and without action by Borrower, make the Initial Advance. On the Closing Date, CFC shall notify Borrower of the final amount of the Initial Advance and the amount of the CFC Commitment remaining for Borrower to subsequently Advance.

**B. Subsequent Advances.**

(i) The Borrower may submit a request for the Primary Advance to CFC in writing (which may be submitted by facsimile) no later than 12:00 noon local time at CFC's offices in Herndon, Virginia seven Business Days prior to the Closing Date. The Primary Advance may be requested in any amount up to the CFC Commitment. CFC shall make the Primary Advance two Business Days after the Closing Date in the lesser of (i) the aggregate amount of such requested Primary Advance, and (ii) the amount of the CFC Commitment less the amount of the Initial Advance.

(ii) Except as set forth in 3.02.A and 3.02.B(i) hereof, the Borrower shall submit its request for an Advance to CFC in writing (which may be submitted by facsimile) no later than 12:00 noon local time at CFC's offices in Herndon, Virginia at least two (2) Business Days prior to the last Business Day of any calendar month. Borrower may make multiple requests for Advances during any calendar month in any amount so long as the aggregate amount of all Advances requested in such month is in an amount not less than $100,000.00; *provided, however* that at such time as there remains less than $100,000.00 available for Advance hereunder, Borrower may request the entirety of such remaining amount. CFC shall make a single Advance to Borrower on the first Business Day of the calendar month following Borrower's request(s) for an Advance. Such Advance shall be in the aggregate amount of all Advances requested by Borrower in the prior month, *provided however* that at such time as there remains less than $100,000.00 available for Advance hereunder and Borrower requests the entirety of such remaining amount, CFC shall Advance the entirety of such remaining amount.

**Section 3.03 Interest Rate and Payment.** The Note shall be payable and bear interest as follows:

**A. Payments; Maturity; Amortization.**

(i) The Note shall be due and payable on the Maturity Date.

(ii) On each Payment Date, the Borrower shall promptly pay the following:

(a) accrued interest on the principal amount of the Loan outstanding less the amount of the Initial Advance; and

(b) the Quarterly Bond Repayment Amount, consisting of:

(1) the principal amount due on any outstanding Advances, determined on the basis of a quarterly amortization schedule from the date of each Advance; and

(2) the Quarterly Bond Deposit Amount.

(iii) If not sooner paid, any amount due on account of the unpaid principal, interest accrued thereon and fees, if any, shall be due and payable on the Maturity Date.

(iv) Each Advance shall amortize on a level principal payment basis from the date thereof through the Maturity Date.

(v) CFC will furnish to the Borrower a Payment Notice at least ten (10) days before each Payment Date, provided, however, that CFC's failure to send a Payment Notice shall not constitute a waiver by CFC or be deemed to relieve the Borrower of its obligation to make payments as and when due as provided for herein.

(vi) No provision of this Agreement or of any Note shall require the payment, or permit the collection, of interest in excess of the highest rate permitted by applicable law.

Borrower agrees that the records of, and all computations by, CFC (in whatever media they are recorded or maintained) as to the amount of principal, interest, fees and Quarterly Bond Deposit Amount due on the Loan shall be conclusive in the absence of manifest error.

B. **Application of Payments.** Each payment shall be applied to the Loan, first to any fees, costs, expenses or charges other than interest or principal, second to interest accrued, third to the Quarterly Bond Deposit Amount and the balance to principal.

C. **Application of Bond Repayment Deposit.** At such time as the aggregate amount billed by CFC in any calendar year on account of amortized principal under this Agreement exceeds the Borrower's Annual Bond Repayment Amount for such year, CFC shall apply a portion of the Borrower's prior payments of the Quarterly Bond Deposit Amount in the amount of such overage to principal then due. Until such time, Borrower's payments of the Quarterly Bond Deposit Amount shall not reduce the amount of principal outstanding and subject to amortization. Any amount paid by the Borrower under this Agreement on account of the Quarterly Bond Deposit Amount in excess of the principal amount of the fully advanced Loan shall be refunded to the Borrower on the Maturity Date.

D. **Interest Rate Computation.** Each Advance except the Initial Advance shall bear interest at the CFC CREB Rate which shall apply until the Maturity Date. The Initial Advance shall not bear interest. Interest on Advances shall be computed on the basis of a 30-day month and 360-day year.

**Section 3.04. Extraordinary Obligation to Prepay**. Upon a Determination of Tax Credit Ineligibility that subjects the CREBs to an extraordinary mandatory redemption due to a failure of the Borrower to observe any agreement or representation in this Loan Agreement (as more particularly described in paragraph (b) of the defined term "Determination of Tax Credit Ineligibility"), the Borrower shall prepay the Loan, or such part thereof as determined by CFC, at such times and in such amounts as determined by CFC within sixty (60) days of such determination together with a prepayment premium prescribed by CFC pursuant to its policies of general application in effect from time to time.

**Section 3.05. Rescission of Excess Moneys; Fee.** If the Borrower has not drawn down the full amount of the CFC Commitment at (i) the time of filing the Completion Certificate under Section 5.01P. hereof, (ii) the time of filing the Termination Certificate under 5.01Q. hereof, (iii) a Determination of Tax Credit Ineligibility or (iv) the end of the Draw Period, a corresponding rescission of the amount of principal available to be drawn on the Note as calculated by CFC shall automatically be made without further action by the Borrower. CFC shall release the Borrower from its obligations hereunder as to such rescinded portion, provided the Borrower complies with such terms and conditions as CFC may impose for such release including, without limitation, payment of any rescission fee that CFC may from time to time prescribe, pursuant to its policies of general application.

**Section 3.06. Cancellation of Excess Moneys.** If the Borrower has not drawn down the full amount of the CFC Commitment at the time CFC determines that it will cease making Advances hereunder pursuant to Section 7.01 hereof, a corresponding cancellation of the amount of principal available to be drawn on the Note as calculated by CFC shall automatically be made without action by the Borrower.

**Section 3.07. Default Rate.** If Borrower defaults on its obligation to make a payment due hereunder by the applicable Payment Date, and such default continues for thirty days thereafter, then

beginning on the thirty-first day after the Payment Date and for so long as such default continues, Advances shall bear interest at the Default Rate.

**Section 3.08. Patronage Capital; Interest Rate Discounts.** No patronage capital shall be earned, and no interest rate discounts shall apply, to the Loan.

**Section 3.09. Optional Prepayment.** Except for prepayments made pursuant to Section 3.04 hereof, no prepayment of any Advance, in whole or in part, may be made by the Borrower.

## ARTICLE IV

## CONDITIONS OF LENDING

**Section 4.01** The obligation of CFC to make any Advance hereunder is subject to satisfaction of the following conditions in form and substance satisfactory to CFC:

**A. Legal Matters.** All legal matters incident to the consummation of the transactions hereby contemplated shall be satisfactory to counsel for CFC.

**B. Documents.** CFC shall have been furnished with (i) the executed Loan Documents, (ii) certified copies of all such organizational documents and proceedings of the Borrower authorizing the transactions hereby contemplated as CFC shall require, (iii) an opinion of counsel for the Borrower addressing such legal matters as CFC shall reasonably require, and (iv) all other such documents as CFC may reasonably request.

**C. Government Approvals.** The Borrower shall have furnished to CFC true and correct copies of all certificates, authorizations, consents, permits and licenses from Governmental Authorities necessary for the execution or delivery of the Loan Documents or performance by the Borrower of the obligations thereunder.

**D. Representations and Warranties.** The representations and warranties contained in Article II shall be true on the date of the making of each Advance hereunder with the same effect as though such representations and warranties had been made on such date; no Event of Default and no event which, with the lapse of time or the notice and lapse of time would become such an Event of Default, shall have occurred and be continuing or will have occurred after giving effect to each Advance on the books of the Borrower; there shall have occurred no material adverse change in the business or condition, financial or otherwise, of the Borrower; and nothing shall have occurred which in the opinion of CFC materially and adversely affects the Borrower's ability to perform its obligations hereunder.

**E. Mortgage Recordation.** The Mortgage (and any amendments, supplements or restatements as CFC may require from time to time) shall have been duly filed, recorded or indexed in all jurisdictions necessary (and in any other jurisdiction that CFC shall have reasonably requested) to provide CFC a lien, subject to Permitted Encumbrances, on all of the Borrower's real property, all in accordance with applicable law, and the Borrower shall have paid all applicable taxes, recording and filing fees and caused satisfactory evidence thereof to be furnished to CFC.

**F. UCC Filings.** Uniform Commercial Code financing statements (and any continuation statements and other amendments thereto that CFC shall require from time to time) shall have been duly filed, recorded or indexed in all jurisdictions necessary (and in any other jurisdiction that CFC

shall have reasonably requested) to provide CFC a perfected security interest, subject to Permitted Encumbrances, in the Mortgaged Property which may be perfected by the filing of a financing statement, all in accordance with applicable law, and the Borrower shall have paid all applicable taxes, recording and filing fees and caused satisfactory evidence thereof to be furnished to CFC.

G. **Requisitions.** The Borrower will requisition each Advance by submitting its written requisition to CFC in the form attached as Exhibit A hereto. Requisitions for Advances shall be made only for the purposes set forth in Schedule 1 hereto.

H. **Other Information.** The Borrower shall have furnished such other information as CFC may reasonably require, including but not limited to (i) information regarding the specific purpose for an Advance and the use thereof, (ii) feasibility studies, cash flow projections, financial analyses and pro forma financial statements sufficient to demonstrate to CFC's reasonable satisfaction that after giving effect to the Advance requested, the Borrower shall continue to achieve the DSC ratio set forth in Section 5.01.A herein, to meet all of its debt service obligations, and otherwise to perform and to comply with all other covenants and conditions set forth in this Agreement, and (iii) any other information as CFC may reasonably request. CFC's obligation to make any Advance hereunder is conditioned upon prior receipt and approval of the Borrower's written requisition and other information and documentation, if any, as CFC may have requested pursuant to this paragraph.

I. **Issuance of Bonds.** CFC shall have issued CREBs in an amount not less than the CFC Commitment.

J. **CREB Allocation**. CFC shall have received an allocation in the amount of the CFC Commitment from the U.S. Department of Treasury for the Borrower's Project under its Securities program.

K. **Tax Credit Ineligibility.** There shall have occurred no Determination of Tax Credit Ineligibility with regard to the Borrower or the Project.

L. **Bring Down Certificate.** Two (2) Business Days prior to the Closing Date, the Borrower shall furnish CFC with a certificate of an Authorized Officer of the Borrower in the form of Exhibit B hereto, certifying that all of the representations and warranties set forth in Article II hereof are true on the Closing Date.

## ARTICLE V

## COVENANTS

**Section 5.01 Affirmative Covenants.** The Borrower covenants and agrees with CFC that until payment in full of the Note and performance of all obligations of the Borrower hereunder:

A. **Financial Ratios; Design of Rates.** The Borrower shall achieve an Average DSC Ratio of not less than 1.35. The Borrower shall not decrease its rates for electric service if it has failed to achieve a DSC Ratio of 1.35 for the calendar year prior to such reduction subject only to an order from a Governmental Authority properly exercising jurisdiction over the Borrower.

B. **Loan Proceeds.** The Borrower shall use the proceeds of this Loan solely for the purposes identified on Schedule 1 hereto.

**C. Notice.** The Borrower shall promptly notify CFC in writing of:

(i) any material adverse change in the business, operations, prospects, assets, liabilities or financial condition of the Borrower;

(ii) the institution or threat of any litigation or administrative proceeding of any nature involving the Borrower which could materially affect the business, operations, prospects, assets, liabilities or financial condition of the Borrower;

(iii) the occurrence of an Event of Default hereunder, or any event that, with the giving of notice or lapse of time, or both, would constitute an Event of Default.

**D. Default Notices.** Upon receipt of any notices with respect to a default by the Borrower under the terms of any evidence of any indebtedness with parties other than CFC or of any loan agreement, mortgage or other agreement relating thereto, the Borrower shall deliver copies of such notice to CFC.

**E. Annual Certificates.**

(i) Within one hundred twenty (120) days after the close of each calendar year, commencing with the year in which the initial Advance hereunder shall have been made, the Borrower will deliver to CFC a written statement, in form and substance satisfactory to CFC, signed by the Borrower's General Manager or Chief Executive Officer, stating that during such year, and that to the best of said person's knowledge, the Borrower has fulfilled all of its obligations under this Agreement, the Project Agreement, the Note, and the Mortgage throughout such year or, if there has been a default in the fulfillment of any such obligations, specifying each such default known to said person and the nature and status thereof.

(ii) The Borrower shall deliver to CFC within one hundred twenty (120) days of CFC's written request, which shall be no more frequently than once every year, a certification, in form and substance satisfactory to CFC, regarding the condition of the Mortgaged Property prepared by a professional engineer satisfactory to CFC. The Borrower shall also deliver to CFC such other information as CFC may reasonably request from time to time.

**F. Loan Capital Term Certificate Purchase.** The Borrower will purchase LCTCs, if required, in an amount calculated pursuant to CFC's policies of general application and shall pay for such LCTCs as required thereby. CFC's policies with respect to such LCTCs are set forth in Schedule 1.

**G. Financial Books; Financial Reports; Right of Inspection.** The Borrower will at all times keep, and safely preserve, proper books, records and accounts in which full and true entries will be made of all of the dealings, business and affairs of the Borrower, in accordance with Accounting Requirements. When requested by CFC, the Borrower will prepare and furnish CFC from time to time, periodic financial and statistical reports on its condition and operations. All of such reports shall be in such form and include such information as may be specified by CFC. Within one hundred twenty (120) days of the end of each calendar year during the term hereof, the Borrower shall furnish to CFC a full and complete report of its financial condition and statement of its operations as of the end of such calendar year, in form and substance satisfactory to CFC. In addition, within one hundred twenty (120) days of the end of each the Borrower's fiscal years during the term hereof, the Borrower shall furnish to CFC a full and complete consolidated and consolidating report of its financial condition and statement of its operations as of the end of such fiscal year,

audited and certified by independent certified public accountants nationally recognized or otherwise satisfactory to CFC and accompanied by a report of such audit in form and substance satisfactory to CFC, including without limitation a consolidated and consolidating balance sheet and the related consolidated and consolidating statements of income and cash flow. CFC, through its representatives, shall at all times during reasonable business hours and upon prior notice have access to, and the right to inspect and make copies of, any or all books, records and accounts, and any or all invoices, contracts, leases, payrolls, canceled checks, statements and other documents and papers of every kind belonging to or in the possession of the Borrower or in anyway pertaining to its property or business.

**H. Notice of Additional Secured Debt.** The Borrower will notify CFC promptly in writing if it incurs any additional secured indebtedness other than indebtedness to CFC or indebtedness otherwise provided for in the Mortgage.

**I. Funds Requisition.** The Borrower agrees (i) that CFC may rely conclusively upon the written instructions submitted to CFC in the Borrower's written request for an Advance hereunder, (ii) that such instructions shall constitute a covenant under this Agreement to repay the Advance in accordance with such instructions, the applicable Note, the Mortgage, the Project Agreement and this Agreement, and (iii) to request Advances only for the purposes set forth in Schedule 1 hereto.

**J. Compliance With Laws.** The Borrower and each Subsidiary shall remain in compliance, in all material respects, with all applicable requirements of law and applicable rules and regulations of each Governmental Authority.

**K. Taxes.** The Borrower shall pay, or cause to be paid all taxes, assessments or governmental charges lawfully levied or imposed on or against it and its properties prior to the time they become delinquent, except for any taxes, assessments or charges that are being contested in good faith and with respect to which adequate reserves as determined in good faith by the Borrower have been established and are being maintained.

**L. Further Assurances.** The Borrower shall execute any and all further documents, financing statements, agreements and instruments, and take all such further actions (including the filing and recording of financing statements, fixture filings, mortgages, deeds of trust and other documents), which may be required under any applicable law, or which CFC may reasonably request, to effectuate the transactions contemplated by the Loan Documents or to grant, preserve, protect or perfect the Liens created or intended to be created thereby. The Borrower also agrees to provide to CFC, from time to time upon request, evidence reasonably satisfactory to CFC as to the perfection and priority of the Liens created or intended to be created by the Loan Documents.

**M. Environmental Covenants.** Borrower shall:

(i) at its own cost, comply in all material respects with all applicable Environmental Laws, including, but not limited to, any required remediation; and

(ii) if it receives any written communication alleging Borrower's violation of any Environmental Law, provide CFC with a copy thereof within ten (10) Business Days after receipt, and promptly take appropriate action to remedy, cure, defend, or otherwise affirmatively respond to the matter.

**N. Limitations on Loans, Investments and Other Obligations.** The aggregate amount of all purchases, investments, loans, guarantees, commitments and other obligations described in

Section 5.02.D(i) of this Agreement shall at all times be less than fifteen percent (15%) of Total Utility Plant or fifty percent (50%) of Equity, whichever is greater.

**O. Tax Status of the CREBs.** The Borrower shall utilize the Project or cause it to be utilized as provided in the Project Agreement until the CREB Maturity Date. No use will be made of the proceeds of the CREBs other than as set forth herein and in the Project Agreement and no changes will be made in the Project or in the operation or beneficial use thereof (including, without limiting the generality of the foregoing, the use of the Project by the Borrower or any related person) without an opinion of Bond Counsel that such a use or change will not adversely affect the eligibility of the CREBs to qualify for a tax credit for the owner thereof, for federal income tax purposes. The Borrower agrees and warrants that it will not take or authorize or permit any action to be taken and has not taken or authorized or permitted any action to be taken and will not fail to take any action to comply with the Project Agreement which adversely affects the eligibility of the CREBs to qualify for a tax credit for the owner thereof, for federal income tax purposes. This agreement and warranty shall survive the termination of this Agreement.

**P. Completion Certificate.** The Borrower shall submit to CFC within 30 days after the completion of the Project, a Completion Certificate signed by an Authorized Officer of the Borrower.

**Q. Termination Certificate.** If the Borrower determines that the Project will not be completed as described in Section 5.01.P above, then the Borrower shall submit to CFC a Termination Certificate, within 30 days of a determination that:

(i) no further acquisition, construction or installation will occur with respect to the Project; and

(ii) the Borrower does not intend to make any further Advances.

**R. Other Information.** The Borrower shall furnish such other information as CFC may reasonably require relating to the Project.

**Section 5.02 Negative Covenants.** The Borrower covenants and agrees with CFC that until payment in full of the Note and performance of all obligations of the Borrower hereunder, the Borrower will not, directly or indirectly, without CFC's prior written consent:

**A. Limitations on Mergers.** Consolidate with, merge, or sell all or substantially all of its business or assets, or enter into an agreement for such consolidation, merger or sale, to another entity or person unless such action is either approved, as is evidenced by the prior written consent of CFC, or the purchaser, successor or resulting corporation is or becomes a member in good standing of CFC and assumes the due and punctual payment of the Note and the due and punctual performance of the covenants contained in the Mortgage and this Agreement.

**B. Limitations on Sale, Lease or Transfer of Capital Assets; Application of Proceeds.** Sell, lease or transfer (or enter into an agreement to sell, lease or transfer) any capital asset, except in accordance with this Section 5.02.B. If no Event of Default (and no event which with notice or lapse of time and notice would become an Event of Default) shall have occurred and be continuing, the Borrower may, without the prior written consent of CFC, sell, lease or transfer (or enter into an agreement to sell, lease or transfer) any capital asset in exchange for fair market value consideration paid to the Borrower if the value of such capital asset is less than five percent (5%) of Total Utility Plant and the aggregate value of capital assets sold, leased or transferred in any 12-month period is less than ten percent (10%) of Total Utility Plant.

**C. Limitation on Dividends, Patronage Refunds and Other Distributions.**

(i) Make Distributions in any calendar year if, after giving effect to the Distribution, the total Equity of the Borrower will be less than twenty percent (20%) of its Total Assets.

(ii) If, after giving effect to the Distribution, the total Equity of the Borrower will be less than twenty percent (20%) of its Total Assets, then the Borrower may nevertheless make Distributions of up to thirty percent (30%) of its total margins for the preceding calendar year.

(iii) Notwithstanding anything to the contrary in subparagraphs (i) and (ii) above, the Borrower shall not make any Distribution without the prior written consent of CFC if an Event of Default under this Agreement has occurred and is continuing.

**D. Limitations on Loans, Investments and Other Obligations.**

(i) (a) Purchase, or make any commitment to purchase, any stock, bonds, notes, debentures, or other securities or obligations of or beneficial interests in, (b) make, or enter into a commitment to make, any other investment, monetary or otherwise, in, (c) make, or enter into a commitment to make, any loan to, or (d) guarantee, assume, or otherwise become liable for, or enter into a commitment to guarantee, assume, or otherwise become liable for, any obligation of any Person if, after giving effect to such purchase, investment, loan, guarantee or commitment, the aggregate amount thereof would exceed the greater of fifteen percent (15%) of Total Utility Plant or fifty percent (50%) of Equity.

(ii) The following shall not be included in the limitation of purchases, investments, loans and guarantees in (i) above: (a) bonds, notes, debentures, stock, or other securities or obligations issued by or guaranteed by the United States or any agency or instrumentality thereof; (b) bonds, notes, debentures, stock, commercial paper, subordinated capital certificates, or any other security or obligation issued by CFC or by institutions whose senior unsecured debt obligations are rated by at least two nationally recognized rating organizations in either of their two highest categories; (c) investments incidental to loans made by CFC; (d) any deposit that is fully insured by the United States; (e) loans and grants made by any Governmental Authority to the Borrower under any rural economic development program, but only to the extent that such loans and grants are non-recourse to the Borrower; and (f) unretired patronage capital allocated to the Borrower by CFC, a cooperative from which the Borrower purchases electric power, or a statewide cooperative association of which Borrower is a member.

(iii) In no event may the Borrower take any action pursuant to subsection (i) if an Event of Default under this Agreement has occurred and is continuing,

**E. Organizational Change.** Change its type of organization or other legal structure, except as permitted by Section 5.02.A. hereof, in which case the Borrower shall provide at least 30 days prior written notice to CFC together with all documentation reflecting such change as CFC may reasonably require.

**F. Notice of Change in Borrower Information.** Change its (i) state of incorporation, (ii) legal name, (iii) mailing address, or (iv) organizational identification number, if it has one, unless the Borrower provides written notice to CFC at least thirty (30) days prior to the effective date of any such change together with all documentation reflecting any such change as CFC may reasonably require.

## ARTICLE VI

## EVENTS OF DEFAULT

**Section 6.01** The following shall be "Events of Default" under this Agreement:

**A. Representations and Warranties.** Any representation or warranty made by the Borrower herein, or in any of the other Loan Documents, or in any certificate or financial statement furnished to CFC hereunder or under any of the other Loan Documents shall prove to be false or misleading in any material respect.

**B. Payment.** The Borrower shall fail to pay (whether upon stated maturity, by acceleration, or otherwise) any principal, interest, premium (if any) or other amount payable under the Note and the Loan Documents within five (5) Business Days after the due date thereof.

**C. Other Covenants.**

**(i) No Grace Period.** Failure of the Borrower to observe or perform any covenant or agreement contained in the Project Agreement or in Sections 5.01.A, 5.01.B, 5.01.D, 5.01.E, 5.01.G, 5.01.I, 5.01.N, 5.01.O and 5.02 of this Agreement.

**(ii) Thirty Day Grace Period.** Failure of the Borrower to observe or perform any other covenant or agreement contained in this Agreement or any of the other Loan Documents, which shall remain unremedied for thirty (30) calendar days after written notice thereof shall have been given to the Borrower by CFC.

**D. Legal Existence, Permits and Licenses.** The Borrower shall forfeit or otherwise be deprived of (i) its authority to conduct business in the jurisdiction in which it is organized or in any other jurisdiction where such authority is required in order for the Borrower to conduct its business in such jurisdiction or (ii) permits, easements, consents or licenses required to carry on any material portion of its business.

**E. Other CFC Obligations.** The Borrower shall be in breach or default of any Obligation, which breach or default continues uncured beyond the expiration of any applicable grace period.

**F. Other Obligations.** The Borrower shall (i) fail to make any payment of any principal, premium or any other amount due or interest on any indebtedness with parties other than CFC which shall remain unpaid beyond the expiration of any applicable grace period, or (ii) be in breach or default with respect to any other term of any evidence of any other indebtedness with parties other than CFC or of any loan agreement, mortgage or other agreement relating thereto which breach or default continues uncured beyond the expiration of any applicable grace period, if the effect of such failure, default or breach is to cause the holder or holders of that indebtedness to cause that indebtedness to become or be declared due prior to its stated maturity (upon the giving or receiving of notice, lapse of time, both or otherwise).

**G. Involuntary Bankruptcy.** An involuntary case or other proceeding shall be commenced against the Borrower seeking liquidation, reorganization or other relief with respect to it or its debts under bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property and such involuntary case or other proceeding shall continue without dismissal or

stay for a period of sixty (60) days; or an order for relief shall be entered against the Borrower under the federal bankruptcy laws or applicable state law as now or hereafter in effect.

**H. Insolvency.** The Borrower shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall admit in writing its inability to, or be generally unable to, pay its debts as they become due, or shall take any action to authorize any of the foregoing.

**I. Dissolution or Liquidation.** Other than as provided in subsection H. above, the dissolution or liquidation of the Borrower, or failure by the Borrower promptly to forestall or remove any execution, garnishment or attachment of such consequence as will impair its ability to continue its business or fulfill its obligations and such execution, garnishment or attachment shall not be vacated within sixty (60) days. The term "dissolution or liquidation of the Borrower", as used in this subsection, shall not be construed to include the cessation of the corporate existence of the Borrower resulting either from a merger or consolidation of the Borrower into or with another corporation following a transfer of all or substantially all its assets as an entirety, under the conditions set forth in Section 5.02.A.

**J. Material Adverse Change.** Any material adverse change in the business or condition, financial or otherwise, of the Borrower.

**K. Monetary Judgment.** The Borrower shall suffer any money judgment not covered by insurance, writ or warrant of attachment or similar process involving an amount in excess of $100,000 and shall not discharge, vacate, bond or stay the same within a period of sixty (60) days.

**L. Nonmonetary Judgment.** One or more nonmonetary judgments or orders (including, without limitation, injunctions, writs or warrants of attachment, garnishment, execution, distraint, replevin or similar process) shall be rendered against the Borrower that, either individually or in the aggregate, could reasonably be expected to have a material adverse effect upon the business, operations, prospects, assets, liabilities or financial condition of the Borrower.

## ARTICLE VII

## REMEDIES

**Section 7.01** If any of the Events of Default listed in Section 6 hereof shall occur after the date of this Agreement and shall not have been remedied within the applicable grace periods specified therein, then CFC may:

(i) Cease making Advances hereunder;

(ii) Declare all unpaid principal outstanding on the Note, all accrued and unpaid interest thereon, and all other Obligations to be immediately due and payable and the same shall thereupon become immediately due and payable without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived;

(iii) Exercise rights of setoff or recoupment and apply any and all amounts held, or hereby held, by CFC or owed to the Borrower or for the credit or account of the Borrower against any and all of the Obligations of the Borrower now or hereafter existing hereunder or under the Note, including, but not limited to, patronage capital allocations and retirements, money due to Borrower from equity certificates purchased from CFC, and any membership or other fees that would otherwise be returned to Borrower but excluding any LCTCs purchased by the Borrower pursuant to this Agreement. The rights of CFC under this section are in addition to any other rights and remedies (including other rights of setoff or recoupment) which CFC may have. The Borrower waives all rights of setoff, deduction, recoupment or counterclaim;

(iv) Pursue all rights and remedies available to CFC that are contemplated by the Mortgage and the other Loan Documents in the manner, upon the conditions, and with the effect provided in the Mortgage and the other Loan Documents, including, but not limited to, a suit for specific performance, injunctive relief or damages;

(v) Pursue any other rights and remedies available to CFC at law or in equity.

Nothing herein shall limit the right of CFC to pursue all rights and remedies available to a creditor following the occurrence of an Event of Default. Each right, power and remedy of CFC shall be cumulative and concurrent, and recourse to one or more rights or remedies shall not constitute a waiver of any other right, power or remedy.

## ARTICLE VIII

## MISCELLANEOUS

**Section 8.01 Notices.** All notices, requests and other communications provided for herein including, without limitation, any modifications of, or waivers, requests or consents under, this Agreement shall be given or made in writing (including, without limitation, by telecopy) and delivered to the intended recipient at the "Address for Notices" specified below; or, as to any party, at such other address as shall be designated by such party in a notice to each other party. All such communications shall be deemed to have been duly given (i) when personally delivered including, without limitation, by overnight mail or courier service, (ii) in the case of notice by United States mail, certified or registered, postage prepaid, return receipt requested, upon receipt thereof, or (iii) in the case of notice by telecopy, upon transmission thereof, provided such transmission is promptly confirmed by either of the methods set forth in clauses (i) or (ii) above in each case given or addressed as provided for herein. The Address for Notices of each of the respective parties is as follows:

National Rural Utilities Cooperative Finance Corporation
2201 Cooperative Way
Herndon, Virginia 20171-3025
Attention: Senior Vice President – Member Services
Fax # 703-709-6776

The Borrower:

The address set forth in
Schedule 1 hereto

**Section 8.02 Expenses.** Borrower shall reimburse CFC for any reasonable costs and out-of-pocket expenses paid or incurred by CFC (including, without limitation, reasonable fees and expenses of outside attorneys, paralegals and consultants) for all actions CFC takes, (a) to enforce the payment of any Obligation, to effect collection of any Mortgaged Property, or in preparation for such enforcement or collection, (b) to institute, maintain, preserve, enforce and foreclose on CFC's security interest in or Lien on any of the Mortgaged Property, whether through judicial proceedings or otherwise, (c) to restructure any of the Obligations, (d) to review, approve or grant any consents or waivers hereunder, (e) to prepare, negotiate, execute, deliver, review, amend or modify this Agreement, (f) to prepare, negotiate, execute, deliver, review, amend or modify any other agreements, documents and instruments deemed necessary or appropriate by CFC in connection with any of the foregoing, and (g) to obtain any opinions required to be furnished upon a Determination of Tax Credit Ineligibility and an extraordinary prepayment as set forth in Section 3.04 hereof or a rescission of excess money as set forth in Section 3.05 or a cancellation of excess moneys as set forth in Section 3.06.

The amount of all such expenses identified in this Section 8.02 shall be secured by the Mortgage and shall be payable upon demand, and if not paid, shall accrue interest at the Default Rate.

**Section 8.03 Late Payments.** If payment of any amount due hereunder is not received at CFC's office in Herndon, Virginia, or such other location as CFC may designate to the Borrower within five (5) Business Days after the due date thereof, the Borrower will pay to CFC, in addition to all other amounts due under the terms of the Loan Documents, any late payment charge as may be fixed by CFC from time to time pursuant to its policies of general application as in effect from time to time.

**Section 8.04. Non-Business Day Payments.** If any payment to be made by the Borrower hereunder shall become due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall be included in computing any interest in respect of such payment.

**Section 8.05 Filing Fees.** To the extent permitted by law, the Borrower agrees to pay all expenses of CFC (including the reasonable fees and expenses of its counsel) in connection with the filing, registration, recordation or perfection of the Mortgage and any other security instruments as may be required by CFC in connection with this Agreement, including, without limitation, all documentary stamps, recordation and transfer taxes and other costs and taxes incident to execution, filing, registration or recordation of any document or instrument in connection herewith. The Borrower agrees to save harmless and indemnify CFC from and against any liability resulting from the failure to pay any required documentary stamps, recordation and transfer taxes, recording costs, or any other expenses incurred by CFC in connection with this Agreement. The provisions of this subsection shall survive the execution and delivery of this Agreement and the payment of all other amounts due under the Loan Documents.

**Section 8.06 Waiver; Modification.** No failure on the part of CFC to exercise, and no delay in exercising, any right or power hereunder or under the other Loan Documents shall operate as a waiver thereof, nor shall any single or partial exercise by CFC of any right hereunder, or any abandonment or discontinuance of steps to enforce such right or power, preclude any other or further exercise thereof or the exercise of any other right or power. No modification or waiver of any provision of this Agreement, the Note or the other Loan Documents and no consent to any departure by the Borrower therefrom shall in any event be effective unless the same shall be in writing by the

party granting such modification, waiver or consent, and then such modification, waiver or consent shall be effective only in the specific instance and for the purpose for which given.

**SECTION 8.07 GOVERNING LAW; SUBMISSION TO JURISDICTION; WAIVER OF JURY TRIAL.**

(A) THE PERFORMANCE AND CONSTRUCTION OF THIS AGREEMENT AND THE NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE COMMONWEALTH OF VIRGINIA.

(B) THE BORROWER HEREBY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF THE UNITED STATES COURTS LOCATED IN VIRGINIA AND OF ANY STATE COURT SO LOCATED FOR PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. THE BORROWER IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTIONS THAT IT MAY NOW OR HEREAFTER HAVE TO THE ESTABLISHING OF THE VENUE OF ANY SUCH PROCEEDINGS BROUGHT IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

(C) THE BORROWER AND CFC EACH HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

**SECTION 8.08 INDEMNIFICATION.** THE BORROWER HEREBY INDEMNIFIES AND AGREES TO HOLD HARMLESS, AND DEFEND CFC AND ITS MEMBERS, DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, ATTORNEYS AND REPRESENTATIVES (EACH AN "INDEMNITEE") FOR, FROM, AND AGAINST ALL CLAIMS, DAMAGES, LOSSES, LIABILITIES, COSTS, AND EXPENSES (INCLUDING, WITHOUT LIMITATION, COSTS AND EXPENSES OF LITIGATION AND REASONABLE ATTORNEYS' FEES) ARISING FROM ANY CLAIM OR DEMAND IN RESPECT OF THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS, THE MORTGAGED PROPERTY, OR THE TRANSACTIONS DESCRIBED IN THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS AND ARISING AT ANY TIME, WHETHER BEFORE OR AFTER PAYMENT AND PERFORMANCE OF ALL OBLIGATIONS UNDER THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS IN FULL, EXCEPTING ANY SUCH MATTERS ARISING SOLELY FROM THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF CFC OR ANY INDEMNITEE INCLUDING WITHOUT LIMITATION ANY DETERMINATION MADE OR OTHER ACTION TAKEN BY CFC PURSUANT TO SECTIONS 3.04, 3.05 and 3.06 OF THIS AGREEMENT. NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN SECTION 8.10 HEREOF, THE OBLIGATIONS IMPOSED UPON THE BORROWER BY THIS SECTION SHALL SURVIVE THE REPAYMENT OF THE NOTE, THE TERMINATION OF THIS AGREEMENT AND THE TERMINATION OR RELEASE OF THE LIEN OF THE MORTGAGE.

**Section 8.09 Complete Agreement.** This Agreement, together with the schedules to this Agreement, the Note and the other Loan Documents, and the other agreements and matters referred to herein or by their terms referring hereto, is intended by the parties as a final expression of their agreement and is intended as a complete statement of the terms and conditions of their agreement. In the event of any conflict in the terms and provisions of this Agreement and any other Loan Documents, the terms and provisions of this Agreement shall control.

**Section 8.10 Survival; Successors and Assigns.** All covenants, agreements, representations and warranties of the Borrower which are contained in this Agreement shall survive the execution and delivery to CFC of the Loan Documents and the making of the Loan hereunder and shall continue in full force and effect until all of the obligations under the Loan Documents have been paid in full. All covenants, agreements, representations and warranties of the Borrower which are contained in this Agreement shall inure to the benefit of the successors and assigns of CFC. The Borrower shall not have the right to assign its rights or obligations under this Agreement without the prior written consent of CFC, except as provided in Section 5.02.A hereof.

**Section 8.11 Use of Terms.** The use of the singular herein shall also refer to the plural, and vice versa.

**Section 8.12 Headings.** The headings and sub-headings contained in this Agreement are intended to be used for convenience only and do not constitute part of this Agreement.

**Section 8.13 Severability.** If any term, provision or condition, or any part thereof, of this Agreement, the Note or the other Loan Documents shall for any reason be found or held invalid or unenforceable by any governmental agency or court of competent jurisdiction, such invalidity or unenforceability shall not affect the remainder of such term, provision or condition nor any other term, provision or condition, and this Agreement, the Note and the other Loan Documents shall survive and be construed as if such invalid or unenforceable term, provision or condition had not been contained therein.

**Section 8.14 Binding Effect.** This Agreement shall become effective when it shall have been executed by both the Borrower and CFC and thereafter shall be binding upon and inure to the benefit of the Borrower and CFC and their respective successors and assigns.

**Section 8.15 Counterparts.** This Agreement may be executed in one or more counterparts, each of which will be deemed an original and all of which together will constitute one and the same document. Signature pages may be detached from the counterparts and attached to a single copy of this Agreement to physically form one document.

**Section 8.16 Disclosure.** This Agreement and any other Loan Document may be shared by CFC with such Persons as shall be required in order to facilitate the issuance of the CREBs, including, but not limited to, its attorneys, underwriters and investors in the CREBs.

**Section 8.17 Schedule 1.** Schedule 1 attached hereto is an integral part of this Agreement.

**IN WITNESS WHEREOF,** the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

SULPHUR SPRINGS VALLEY
ELECTRIC COOPERATIVE, INC.

(SEAL)

By: Gene Manning

Title: President

Attest: _____
Secretary

CREDEN W. HUBER
CHIEF EXECUTIVE OFFICER

NATIONAL RURAL UTILITIES
COOPERATIVE FINANCE CORPORATION

(SEAL)

By: Marianne Dusold
Assistant Secretary-Treasurer
MARIANNE L DUSOLD

Attest: _____
Assistant Secretary-Treasurer
CRAIG COLANTONI

## SCHEDULE 1

1. The purpose of this loan is to finance (i) the reimbursement of the cost of the Project of the Borrower, including any reasonable costs and expenses incurred by the Borrower in connection with financing the Project, as described and permitted by the terms of the Project Agreement and (ii) a portion of CFC's costs in issuing the CREBs as set forth in Section 3.02.A.

2. The Project of the Borrower being financed by the Loan (funded by proceeds of the CREBs) constitutes the following clean renewable energy facilities:

   Willcox Unified School District Photovoltaic Solar Automobile Parking Shade Structure

   This project will place photovoltaic modules costing $280,000 each, that will produce 23 kW of electricity in the shade structures in the three Willcox Unified School District schools. The PV structure will provide electricity to the respective school with excess power flowing to the Borrower's system.

3. Subject to the terms of this Agreement, CFC has agreed to loan to the Borrower from proceeds of the CREBs, an amount not to exceed $840,000.00 (the "CFC Commitment").

4. Draw Period shall mean the period beginning on the Closing Date and ending on the date that is five (5) years thereafter.

5. The Borrower shall not purchase the LCTCs or any portion thereof with funds from the Loan. The Borrower shall use its own funds or funds borrowed under another credit facility to purchase such LCTCs, subject to the CFC policies regarding LCTCs set forth in the following paragraph.

   **CFC Policies Regarding LCTCs:** (i) Any solvent Member of CFC with an outstanding LCTC purchased in connection with a loan from the proceeds of Securities may borrow the outstanding amount of the LCTC from CFC without a further credit review, for a term equal to or shorter than the maturity of the LCTC at a rate equal to the comparable rate charged by CFC for similarly classified loans; and (ii) any Member of CFC with an outstanding LCTC purchased in connection with a loan from the proceeds of Securities may sell such LCTC to another Member of CFC for consideration.

6. The Mortgage shall mean the Restated Mortgage and Security Agreement, dated as of December 6, 2007, between the Borrower and CFC, as it may have been supplemented, amended, consolidated, or restated from time to time.

7. The Note executed pursuant hereto is as follows:

| LOAN NUMBER | AMOUNT |
|---|---|
| AZ014-A-9051-CB001 | $840,000.00 |

8. The Subsidiaries of the Borrower referred to in Section 2.01.B. are: None

9. The date of the Borrower's balance sheet referred to in Section 2.01.H is June 30, 2006.

10. The Borrower's exact legal name is: Sulphur Springs Valley Electric Cooperative, Inc.

11. The Borrower's organizational type is: Corporation

12. The Borrower is organized under the laws of the state of: Arizona

13. The Borrower's organizational identification number is: 0038220-2

14. The place of business or, if more than one, the chief executive office of the Borrower referred to in Section 2.01.I is 311 East Wilcox, Sierra Vista, Arizona 85635.

15. The Governmental Authority referred to in Section 2.01.J. is: Arizona Corporation Commission

16. The address for notices to the Borrower referred to in Section 8.01 is 311 East Wilcox, Sierra Vista, Arizona 85635, Attention: General Manager, Fax: (520) 384-5223.

## Exhibit A - Funds Requisition Statement

Borrower Name & ID: Sulphur Springs Valley Electric Cooperative, Inc. (AZ014)
Loan Number: AZ014-A-9051-CB001
Loan Agreement and Project Agreement with CFC dated:
CREBs Series: 2008A
CFC CREBs Application #: 21
Name of Project: Willcox Unified School District Photovoltaic Solar Automobile Parking Shade Structure
Funds Requisition Statement No.:

**Amount Requested:**
**Date Of Advance:**

**Disposition of Funds (wiring instructions):**

### Certification

Acting on behalf of the Borrower, I hereby certify that as of the date below: (1) I am duly authorized to make this certification and to request funds on the terms specified herein; (2) the Borrower has met all of the conditions contained in the Loan Agreement and the Project Agreement listed above governing the terms of this Advance that the Borrower is required to meet prior to an Advance of funds; (3) all of the representations and warranties contained in said Loan Agreement and Project Agreement are true and will continue to be true upon use of the funds as hereby requested; (4) no Event of Default, under the Loan Agreement or the Borrower's Mortgage, has occurred and is continuing; (5) I know of no other event that has occurred which, with the lapse of time and/or notification to CFC of such event, or after giving effect to this Advance, would become an Event of Default under the Loan Agreement or the Borrower's Mortgage; (6) the funds requested herein will be used only as a reimbursement for the purposes specified in the Loan Agreement and the Project Agreement; (7) the costs to be reimbursed by the funds requested herein are capital expenditures and have not previously been reimbursed under a previous Funds Requisition Statement; (8) the Borrower has secured sufficient funds to complete the Project; (9) any necessary permits and approvals required for the Project at this point have been obtained; (10) the Borrower is maintaining a file containing true and correct copies of invoices or bills of sale covering all items for which payment is sought by this request; (11) such costs have been incurred and paid by the Borrower in connection with the Project; (12) the Borrower is not using the funds requested hereby to make any payments of principal or interest due under the Loan Agreement; (13) no expenditure which is being reimbursed by the funds requested hereby was paid more than eighteen months after the later of (i) the date the expenditure is paid or (ii) the date the Project is placed in service, but in no event later than three years after the date the original expenditure was paid; and (14) set forth below is a table listing all of the major components of the Project, how much is being requested in this Funds Requisition Statement as an advance for certain components, how much has been

advanced on each component to date, the percentage of each component that is completed to date, and the purpose of the advance(s) being requested by this Funds Requisition Statement.

I hereby authorize CFC, for and on behalf of the Borrower, to forward this Funds Requisition Statement to the Trustee for disbursement of the Advance from the Project Account relating to the above Loan to the Borrower on the following terms, and hereby acknowledge and agree that such terms shall be binding upon Borrower under the provisions of the Loan Agreement governing this Advance:

| Project Component | Amount Expended to Date by Borrower | Amount Advanced to Date | Advance Amount Requested Herein | Percentage Complete |
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| Total | | | | |

Certified By:

_____ _____ _____

Signature Date Title of Authorized Officer

**PLEASE FAX TO 703-709-6776 ATTN: _____, Associate Vice President**

APPROVED:

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION

By: _____
Title: _____
Date: _____

**EXHIBIT B**

**BRING-DOWN CERTIFICATE**
**OF**
**BORROWER**

The undersigned, _____, duly qualified officers of SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (the *"Borrower"*), an Arizona corporation, hereby certify as follows:

1. The following documents have been duly executed, and delivered or accepted in the name and on behalf of the Borrower by the authorized officer or officers of the Borrower pursuant to, and in full compliance with, authority granted by the Board of Trustees/Directors of the Borrower:

| DOCUMENT | DATE | OTHER PARTY OR PARTIES |
|---|---|---|
| Loan Agreement (the *"Agreement"*) | _____, 200_ | National Rural Utilities Cooperative Finance Corporation (*"CFC"*) |
| Project Agreement (the *"Project Agreement"*) | _____, 200_ | |
| Note (the *"Note"*) | _____, 200_ | |

2. Each of the representations and warranties of the Borrower in the Loan Agreement and the Project Agreement are true and correct on and as of the date hereof (the *"Closing Date"*), and the Borrower has complied with all agreements and satisfied all conditions on its part to be observed or satisfied thereunder at or prior to the Closing Date.

IN WITNESS WHEREOF, the undersigned have hereunto set their signatures this ____ day of _____, 2008.

SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC.

By _____
Title:

By _____
Title:

**EXHIBIT C**

**COMPLETION CERTIFICATE**
**OF**
**BORROWER**

Pursuant to the Loan Agreement dated as of _____ by and between SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (the "Borrower") and National Rural Utilities Cooperative Finance Corporation ("CFC") relating to CFC Loan Number AZ014-A-9051-CB001 (the "Loan Agreement"), the undersigned, _____, duly qualified officer of the Borrower, hereby certifies as follows:

(i) On [date of completion] all portions of the Project (as defined in the Loan Agreement) have been fully completed substantially in accordance with any plans and specifications therefore, as then amended; and

(ii) Amount advanced on the Loan (as defined in the Loan Agreement) and the use of the property financed, refinanced or reimbursed therefrom will not cause any of the representations or certifications contained in the Project Agreement (as defined in the Loan Agreement) to be untrue or result in a violation of any covenant in the Project Agreement.

IN WITNESS WHEREOF, the undersigned have hereunto set his/her signature this ____ day of _____, 20____.

SULPHUR SPRINGS VALLEY ELECTRIC
COOPERATIVE, INC.

By _____
Title:

**EXHIBIT D**

**TERMINATION CERTIFICATE**
**OF**
**BORROWER**

Pursuant to the Loan Agreement dated as of _____ by and between SULPHUR SPRINGS VALLEY ELECTRIC COOPERATIVE, INC. (the "Borrower") and National Rural Utilities Cooperative Finance Corporation ("CFC") relating to CFC Loan Number AZ014-A-9051-CB001 (the "Loan Agreement"), the undersigned, _____, duly qualified officer of the Borrower, hereby certifies as follows:

(i) all portions of the Project (as defined in the Loan Agreement) have not been fully completed substantially in accordance with any plans and specifications therefor, as then amended;

(ii) no further acquisition, construction or installation will occur with respect to the Project (as defined in the Loan Agreement); and

(iii) the Borrower does not intend to request any further Advances (as defined in the Loan Agreement) on the Loan (as defined in the Loan Agreement).

IN WITNESS WHEREOF, the undersigned have hereunto set his/her signature this ____ day of _____, 20____.

SULPHUR SPRINGS VALLEY ELECTRIC
COOPERATIVE, INC.

By _____
Title: