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AZ CORP COMMISSION
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ORIGINAL

December 18, 2009

HAND DELIVERED

Docket Control
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007

Re: *Arizona Electric Power Cooperative, Inc. ("AEPSCO") Executed
Financing Documents; Compliance Item for Decision No. 71111 in
Docket No. E-01773A-08-0587*

Dear Sir or Madam:

In relation to this matter and as required by the Third Ordering Paragraph on page 7 of Decision No. 71111, enclosed are the original and 13 copies of AEPSCO's AZ028-R-8 Financing Documents with the Rural Utilities Service:

1. The Consolidated Mortgage and Security Agreement;
2. The Future Advance Promissory Note;
3. The Loan Contract Amendment; and
4. The Reimbursement Note.

Arizona Corporation Commission
DOCKETED

DEC 18 2009

Your assistance in relation to this matter is appreciated.

Very truly yours,

DOCKETED BY

GALLAGHER & KENNEDY, P.A.

By: Michael M. Grant

MMG/plp
10421-56/2320563

Original and 13 copies filed with Docket Control this 18th day of December, 2009.

ARIZONA 28 R8 & LA10 APACHE

**CONSOLIDATED MORTGAGE,
SECURITY AGREEMENT
AND
FINANCING STATEMENT**

Made By And Among

ARIZONA ELECTRIC POWER COOPERATIVE, INC.

P.O. Box 670
Benson, Arizona 85602,
Organizational Identification No. AZ0057418-9
Mortgagor and Debtor,

and

UNITED STATES OF AMERICA

Rural Utilities Service
Washington, D. C. 20250-1500,
Mortgagee and Secured Party,

and

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION

2201 Cooperative Way
Herndon, Virginia 22071-3025
Mortgagee and Secured Party

Dated as of August 3, 2009

- THIS INSTRUMENT GRANTS A SECURITY INTEREST IN A TRANSMITTING UTILITY.
- THE DEBTOR AS MORTGAGOR IS A TRANSMITTING UTILITY.
- THIS INSTRUMENT CONTAINS PROVISIONS THAT COVER REAL AND PERSONAL PROPERTY, FIXTURES, ACCOUNTS, AFTER-ACQUIRED COLLATERAL, GOODS, EQUIPMENT, INVENTORY, PROCEEDS, AND PRODUCTS OF COLLATERAL AND FUTURE OBLIGATIONS WHICH ARE SECURED BY THIS INSTRUMENT.
- FUTURE ADVANCES AND FUTURE OBLIGATIONS ARE SECURED BY THIS INSTRUMENT.
- THE TYPES OF PROPERTY COVERED BY THIS INSTRUMENT ARE DESCRIBED ON PAGES 9 THROUGH 11 AND APPENDIX B.
- THE ADDRESSES AND THE SIGNATURES OF THE PARTIES TO THIS INSTRUMENT ARE STATED ON PAGES 33 and 34.
- THIS INSTRUMENT WAS DRAFTED BY RURAL UTILITIES DIVISION, OFFICE OF THE GENERAL COUNSEL, UNITED STATES DEPARTMENT OF AGRICULTURE, WASHINGTON, D.C. 20250

ORGANIZATIONAL IDENTIFICATION NUMBER: AZ0057418-9

No. 1

THIS CONSOLIDATED MORTGAGE, SECURITY AGREEMENT, AND FINANCING AGREEMENT dated as of August 3, 2009, made by and among **ARIZONA ELECTRIC POWER COOPERATIVE, INC.** as mortgagor and debtor (hereinafter called the "Mortgagor"), a corporation existing under the laws of the State of Arizona, and **UNITED STATES OF AMERICA** (hereinafter called the "Government"), acting through the Administrator (hereinafter called the "Administrator") of the **RURAL UTILITIES SERVICE** (hereinafter called "RUS"), successor to the Rural Electrification Administration, as mortgagee and secured party; and **NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION**, a District of Columbia corporation, (hereinafter called "CFC"), as mortgagee and secured party, as mortgagee and secured party, (the Government and CFC being hereinafter sometimes collectively called the "Mortgagees" or individually a "Mortgagee").

WHEREAS, pursuant to Public Law No. 103-354, the Rural Utilities Service is the successor to the Rural Electrification Administration (hereinafter sometimes called "REA") and the Administrator of the Rural Utilities Service is the successor to the Administrator of the Rural Electrification Administration (hereinafter sometimes called the "RUS Administrator") and, for the purposes of this mortgage, as amended, restated, and consolidated, the terms "REA Administrator" and "RUS Administrator" shall be deemed to mean respectively "RUS" and "Administrator"; and

WHEREAS, the Mortgagor, for value received, has duly authorized and executed, and has delivered to the Government or has assumed the payment of, the Outstanding RUS Notes (each as hereinafter identified); and

WHEREAS, the Mortgagor, for value received, has duly authorized and executed, and has delivered to CFC, the Outstanding CFC Class A Notes, assumed by the Mortgagor (each as hereinafter identified); and

WHEREAS, the Mortgagor, for value received, has duly authorized and executed, and has delivered to CFC, the Outstanding CFC Class B Notes, assumed by the Mortgagor (each as hereinafter identified and collectively hereinafter defined as the Outstanding CFC Notes); and

WHEREAS, The Outstanding RUS Notes and the Outstanding CFC Notes are secured by by the RUS Mortgage (as hereinafter identified),

WHEREAS, the Mortgagor and the Government have entered into Agreements Amending Notes (as hereinafter identified) pursuant to which the Mortgagor and the Government have agreed, among other things, to reamortize and extend the maturity of specific Outstanding RUS Notes; and

WHEREAS, to evidence the terms of the Agreements Amending Notes, the Mortgagor has duly authorized, executed and delivered to the Government the Agreements Amending Notes; and

WHEREAS, the Mortgagor has determined to borrow additional funds from the Federal Financing Bank and has accordingly duly authorized, executed and delivered its mortgage note or notes or is about to duly authorize, execute and deliver to RUS, the Current RUS Guaranteed Note (as hereinafter identified) to be secured by the RUS Mortgage, as amended, supplemented and consolidated hereby, of the property hereinafter described; and

WHEREAS, the repayment of the Current RUS Guaranteed Note by the Mortgagor is guaranteed by the Government, pursuant to the Rural Electrification Act of 1936 (as hereinafter defined), in accordance with that certain agreement identified in the Instruments Recital as, and hereinafter called, the "Contract of Guarantee"; and

WHEREAS, the Mortgagor has determined to reimburse the Government, acting through the Administrator of RUS for certain amounts paid by the Government, acting through the Administrator of RUS from time to time pursuant to the Contract of Guarantee and has accordingly duly authorized, executed and delivered to RUS or is about to duly authorize, execute and deliver to RUS, the Current RUS Reimbursement Note (as hereinafter identified) to be secured by the RUS Mortgage, as amended and supplemented hereby, of the property hereinafter described; and

WHEREAS, the Mortgagor has determined to borrow additional funds from CFC and has accordingly duly authorized, executed and delivered its mortgage note or notes or is about to duly authorize, execute and deliver to CFC, the Current CFC Class B Note (as hereinafter identified) to be secured by the RUS Mortgage, as amended, supplemented and consolidated hereby, of the property hereinafter described; and

WHEREAS, the Mortgagor, the Government and CFC acknowledge and agree that it is their intent to continue the lien and lien priority of the existing RUS Mortgage and not to satisfy or discharge that lien; and

WHEREAS, the changes in the RUS Mortgage which the parties thereto and hereto have effected or desire now to effect make desirable the amending, supplementing, consolidating and restating of each of the instruments constituting the RUS Mortgage in its entirety; and

WHEREAS, the Government and CFC are authorized to enter into this Consolidated Mortgage, Security Agreement, and Financing Statement; and

WHEREAS, it was the intention of the Mortgagor at the time of the execution of the RUS Mortgage (or, if the mortgage consists of more than one instrument, at the time of the earliest instrument thereof) that the property of the Mortgagor of the classes described therein, as

being mortgaged or pledged thereby, or intended so to be, whether then owned or thereafter acquired, would secure certain notes of the Mortgagor executed and delivered prior to the execution and delivery of the RUS Mortgage, and certain notes of the Mortgagor when and as executed and delivered under and pursuant to the RUS Mortgage, as from time to time amended and supplemented, and it is intended by the Mortgagor to confirm hereby the RUS Mortgage and the property therein described as being mortgaged or pledged, or intended so to be, as security for the Outstanding Notes, and other notes of the Mortgagor when and as executed and delivered under and pursuant to the RUS Mortgage, as amended and supplemented hereby; and

WHEREAS, all acts, things, and conditions prescribed by law and by the articles of incorporation and bylaws of the Mortgagor have been duly performed and complied with to authorize the execution and delivery hereof and to make the RUS Mortgage, as amended and supplemented hereby, a valid and binding mortgage to secure the Outstanding Notes and other notes of the Mortgagor when and as executed and delivered under and pursuant to the RUS Mortgage, as amended and supplemented hereby; and

WHEREAS, to the extent that any of the property described or referred to herein is governed by the provisions of the Uniform Commercial Code (as hereinafter defined), this Consolidated Mortgage, Security Agreement and Financing Statement is hereby deemed a "security agreement" under the Uniform Commercial Code, and this Consolidated Mortgage, Security Agreement and Financing Statement is also hereby declared to be a "financing statement", for said security agreement under the Uniform Commercial Code. The mailing address of the Mortgagor, as debtor, and of the Mortgagees as secured parties, are as set forth on the cover page of this Consolidated Mortgage, Security Agreement and Financing Statement and in Section 7.08 of this Consolidated Mortgage, Security Agreement and Financing Statement. **Proceeds of Collateral are covered hereby.** The Mortgagor is an organization of the type and organized in the jurisdiction set forth on page 1 hereof. The cover page hereof accurately sets forth the Mortgagor's organizational identification number or accurately states that the Mortgagor has none. If any Mortgagee so directs the Mortgagor to do so, the Mortgagor shall file as a financing statement under the Uniform Commercial Code for said security agreement and for the benefit of all the Mortgagees, an instrument other than this Consolidated Mortgage, Security Agreement and Financing Statement. In such case, the instrument to be filed shall be in the form customarily accepted by the filing office as a financing statement; and

NOW, THEREFORE, this Consolidated Mortgage, Security Agreement, and Financing Statement

WITNESSETH:

That the parties hereto do agree as follows:

ARTICLE I

DEFINITIONS

In addition to the terms elsewhere defined in this Consolidated Mortgage, Security Agreement, and Financing Statement, the terms defined in this Article I shall have the meanings herein specified, unless the context clearly requires otherwise. The terms defined herein include the plural as well as the singular and the singular as well as the plural.

Account Number of the Accounting Requirements shall mean such Account Number included in the Accounting Requirements as in effect on the date hereof, or any other Account Number which may be hereafter prescribed with respect to the information contemplated by the Account Number herein specified; or, if no such account Number shall be applicable after such date to the accounts of the Mortgagor for such information, such reference shall apply to the corresponding information otherwise determined in an appropriate manner.

Accounting Requirements shall mean the requirements of any system of accounts prescribed by RUS so long as the Government is the holder, insurer or guarantor of any Notes, or, in the absence thereof, the requirements of generally accepted accounting principles applicable to businesses similar to that of the Mortgagor. Generally accepted accounting principles refers to a common set of accounting standards and procedures that are either promulgated by an authoritative accounting rulemaking body or accepted as appropriate due to wide-spread application in the United States.

Act shall mean the Rural Electrification Act of 1936, as amended (7 U.S.C. 901 et seq.).

Additional CFC Class A Notes shall mean additional notes and refunding, renewal, and substitute notes which may from time to time be executed and delivered by the Mortgagor to CFC with respect to which the Government shall have given prior written approval to be secured as CFC Class A Notes in accordance with Section 3.01 hereof.

Additional CFC Class B Notes shall mean additional notes and refunding, renewal, and substitute notes which may from time to time be executed and delivered by the Mortgagor to CFC with respect to which the Government shall have given prior written approval to be secured as CFC Class B Notes in accordance with Section 3.01 hereof and Section .

Additional CFC Notes shall mean additional notes and refunding, renewal, and substitute notes which may from time to time be executed and delivered by the Mortgagor to

CFC with respect to which the Government shall have given prior written approval to be secured as CFC Notes in accordance with Section 3.01 hereof.

Additional Notes shall mean Additional CFC Notes and Additional RUS Notes.

Additional RUS Guaranteed Notes shall mean additional guaranteed notes and refunding, renewal, and substitute notes which may from time to time be executed and delivered by the Mortgagor to the Government.

Additional RUS Reimbursement Notes shall mean additional reimbursement notes and refunding, renewal, and substitute notes which may from time to time be executed and delivered by the Mortgagor to the Government.

Additional RUS Notes shall mean all additional notes and refunding, renewal, and substitute notes which may from time to time be executed and delivered by the Mortgagor to the Government to evidence indebtedness created by loans made or guaranteed by the Government pursuant to the Act.

Administrator shall mean the Administrator of the RUS or his or her duly authorized representative or any other person or authority in whom may be vested the duties and functions which the Administrator is now or may hereafter be authorized by law to perform.

CFC Class A Financing Agreements shall mean those certain financing agreements, agreements of sale, and/or leases more particularly described in Appendix A hereto, each heretofore executed by and between the Mortgagor and an issuer of bonds, together with any amendments and supplements thereto heretofore or hereafter executed by the parties thereto and approved by the Government and any financing agreements, agreements of sale, and/or leases and any amendment and supplements thereto as may hereafter be executed by and between the Mortgagor and an issuer of bonds which have been approved by the Government in connection with the execution and delivery of one or more Additional CFC Class A Notes in accordance with Section 3.01 hereof, pursuant to which the respective issuers agree to issue bonds and the Mortgagor agrees to pay all amounts becoming due on account of the respective bonds which obligations of the Mortgagor are supported in whole or in part by related CFC Class A Guarantee Agreements.

CFC Class A Guaranty Agreements shall mean those certain guaranty agreements more particularly described in Appendix A hereto, each executed either by CFC in favor of a holder or holders of bonds, or by and between CFC and a trustee acting on behalf of the holders of bonds, as the case may be, together with any guaranty agreements and any amendments and supplements thereto as may hereafter be executed either by CFC in favor of a holder or holders of bonds, or by and between CFC and a trustee acting on behalf of the holders of bonds, as the case may be, which have been approved by the Government in connection with the execution and delivery of one of more Additional CFC Class A Notes in accordance with Section 3.01 hereof,

pursuant to which CFC guarantees payment of certain amount becoming due with respect to the bonds.

CFC Class A Noteholders shall mean the holder or holders of any of the CFC Class A Notes.

CFC Class A Notes shall mean the the Outstanding CFC Class A Notes and the Additional CFC Class A Notes.

CFC Financing Agreements shall mean the CFC Class A Financing Agreements.

CFC Guaranty Agreements shall mean the CFC Class A Guaranty Agreements.

CFC Guaranty Note shall have the meaning specified in Section 7.04 hereof.

CFC Loan Agreements shall mean those certain agreements more particularly described in Appendix A hereto, executed by and between the Mortgagor and CFC; as they may have been or may be supplemented, amended or restated, which have been approved by the Government together with any agreements which have been approved by the Government; together with any agreements as may hereafter be executed by and between the Mortgagor and CFC which have been approved by the Government in connection with the execution and delivery of Additional CFC Notes in accordance with Section 3.01 hereof.

CFC Notes shall mean the Current CFC Class B Notes, the Outstanding CFC Class A Notes, the Outstanding CFC Class B Notes, Additional CFC Class A Notes and the Additional CFC Class B Notes.

Contemporaneous Loan shall mean a loan made pursuant to a loan agreement or agreements providing for a loan or loans secured by this Mortgage, the making of which by either the Government, CFC conditioned upon the making of a loan, therein described, by the other lender.

Current Notes shall mean the Current RUS Notes and the Current CFC Class B Notes.

Current RUS Guaranteed Notes shall mean the notes more particularly described in Appendix A hereto, heretofore or about to be executed and delivered by the Mortgagor to the Government to evidence obligations to the Government on account of loans guaranteed by the Government.

Current RUS Loan Agreement shall mean the agreements more particularly described in Appendix A hereto.

Current RUS Notes shall mean collectively the notes more particularly described in Appendix A hereto, heretofore or about to be executed and delivered by the Mortgagor to the Government to evidence obligations to the Government on account of loans made or guaranteed by the Government.

Current RUS Reimbursement Notes shall mean the notes more particularly described in Appendix A hereto, heretofore or about to be executed and delivered by the Mortgagor to the Government to evidence obligations to the Government on account of loans made or guaranteed by the Government.

Debt Service Coverage Ratio (DSC) shall mean the ratio determined as follows: for each calendar year the total of (i) Net Patronage Capital or Margins of the Mortgagor, (ii) Interest on Long-Term Debt of the Mortgagor, provided, however, that in computing Interest on Long-Term Debt, there shall be added, to the extent not otherwise included, an amount equal to 33-1/3 of the rentals of Restricted Property under Long-Term Leases paid by the Mortgagor, in excess of 2% of the net of the Mortgagor's Total Margins and Equities less Regulatory Assets and (iii) Depreciation and Amortization Expense of the Mortgagor, and dividing the total so obtained by an amount equal to the sum of all payments of principal and interest required to be made on account of Total Long-Term Debt during such calendar year, provided, however, that in computing this sum, there shall be added to interest expenses, to the extent not otherwise included, an amount equal to 33-1/3% of the rentals of Restricted Property under Long-Term Leases paid by the Mortgagor, in excess of 2% of the net of the Mortgagor's Total Margins and Equities less Regulatory Assets.

Depreciation and Amortization Expense shall mean an amount constituting the depreciation and amortization of the Mortgagor determined in accordance with the Uniform System of Accounts and reported on RUS Form 12a.

Distributions shall have the meaning specified in Section 4.16 hereof.

Equity shall mean the aggregate of Margins and Equities and Subordinated Indebtedness.

Events of Default shall have the meaning specified in Section 5.01 hereof.

Fiscal Date shall have the meaning specified in Section 4.12 hereof.

Interest Expense shall mean an amount constituting the interest expense of the Mortgagor determined in accordance with Accounting Requirements and reported on RUS Form 12a.

Interest on Long-Term Debt shall mean an amount constituting the interest expense of the Mortgagor determined in accordance with Accounting Requirements and reported on RUS Form 12a.

Long-Term Debt shall mean any amount included in Total Long-Term Debt.

Long-Term Leases shall mean leases having unexpired terms (taking into account terms of renewal at the option of the lessor, whether or not such leases have been renewed) of more than 12 months.

Majority Noteholders shall mean the holder or holders of not less than a majority in principal amount of the Notes at the time unpaid and outstanding.

Margins and Equities shall mean margins and equities determined in accordance with Accounting Requirements and reported on RUS Form 12a.

Maximum Debt Limit shall mean the amount more particularly described in Appendix A hereto.

Mortgaged Property shall have the meaning specified in Section 2.02 hereof.

Mortgagees shall mean the Government and CFC.

Net Patronage Capital or Margins shall mean an amount constituting the net patronage capital or margins of the Mortgagor determined in accordance with Accounting Requirements and reported on RUS Form 12a.

Note or Notes shall mean one or more of the CFC Notes, the RUS Notes and any other Notes which may, from time to time, be secured under this Mortgage.

Noteholder or Noteholders shall mean one or more of the holders of Notes secured by this Mortgage.

Outstanding CFC Class A Notes shall mean the note or notes more particularly described in Appendix A hereto, heretofore delivered by the Mortgagor to CFC to evidence obligations of the Mortgagor under certain of the CFC Loan Agreements.

Outstanding CFC Class B Notes shall mean the note or notes more particularly described in Appendix A hereto, heretofore delivered by the Mortgagor to CFC to evidence obligations of the Mortgagor under certain of the CFC Loan Agreements.

Outstanding CFC Notes shall mean Outstanding CFC Class A Notes and the Outstanding CFC Class B Notes.

Outstanding Notes shall mean Outstanding CFC Notes and the Outstanding RUS Notes.

Outstanding RUS Notes shall mean the note or notes more particularly described in Appendix A hereto, delivered by the Mortgagor to the Government to evidence loans made or guaranteed by the Government pursuant to the Act and the RUS Loan Agreement.

Permitted Encumbrances shall mean any liens for taxes, assessments or governmental charges for the current year and taxes, assessments or governmental charges not due and delinquent and any such lien, whether or not delinquent, whose validity is at the time being contested in good faith by appropriate proceedings and with respect to which the Mortgagor shall have set aside on its books adequate reserves; liens for workers' compensation awards and similar obligations not then delinquent; mechanics', laborers', materialmen's and similar liens not then delinquent, and any such liens, whether or not delinquent, whose validity is at the time being contested in good faith; liens and charges incidental to construction or current operation which have not been filed or asserted or the payment of which has been adequately secured or which, in the opinion of counsel to the Mortgagor, are insignificant in amount; liens, securing obligations not assumed by the Mortgagor and on account of which it does not pay and does not expect to pay interest, existing upon real estate (or rights in or relating to real estate) over or in respect of which the Mortgagor has a right-of-way or other easement for substation, transmission, distribution or other right-of-way purposes; any right which the United States of America or any state or municipality or governmental body or agency may have by virtue of any franchise, license, contract or statute to purchase, or designate a purchaser of, or order the sale of, any property of the Mortgagor upon payment of reasonable compensation therefor, or upon reasonable compensation or conditions to terminate any franchise, license or other rights before the expiration date thereof or to regulate the property and business of the Mortgagor; attachment or judgment liens covered by insurance, or upon appeal and covered by bond; deposits or pledges to secure payment of workers' compensation, unemployment insurance, old age pensions or other social security; deposits or pledges to secure performance of bids, tenders, contracts (other than contracts for the payment of borrowed money), leases, public or statutory obligations, surety or appeal bonds, and other deposits or pledges for purposes of like general nature in the ordinary course of business; easements or reservations in respect to any property for the purpose of transmission and distribution lines and rights-of-way and similar purposes, zoning ordinances, regulations, reservations, restrictions, servitudes, covenants, party wall agreements, conditions of record and other encumbrances (other than to secure the payment of money), none of which, singly or in the aggregate, in the opinion of counsel to the Mortgagor, is such as to interfere in any material respect with the proper operation of the property affected thereby; the burdens of any law or governmental organization or permit requiring the Mortgagor to maintain certain facilities or perform certain acts as a condition of its occupancy of or interference with any public land or any river, stream or other waters or relating to environmental matters; any lien or encumbrance for the discharge of which moneys have been deposited in trust with a proper depository to apply such moneys to the discharge of such lien or encumbrances; with respect to the Mortgaged Property any exceptions, reservations and other matters which are of record on the date of acquisition thereof by the Mortgagor, provided that such matters do not materially impair the use of such property and, with respect to any property which the Mortgagor may hereafter acquire, any terms, conditions, agreements, covenants, exceptions and reservations expressed or provided in the deeds or other instruments under which the Mortgagor shall hereafter acquire the

same, none of which materially impairs or will impair the property to which the same relates or the operation thereof by the Mortgagor; any lien reserved as security for rent or compliance with other provisions of the lease in case of any leasehold estate; purchase money mortgages and liens, charges and encumbrances upon property existing at the time of acquisition thereof by the Mortgagor. Nothing contained herein or in any other provision of the RUS Mortgage is intended to subordinate the lien of the RUS Mortgage to any Permitted Encumbrance which is not otherwise entitled to priority under law.

Person shall mean an individual, partnership, limited liability company, corporation, business trust, joint stock company, trust, unincorporated association, joint venture, governmental authority, or other entity of whatever nature.

Prudent Utility Practice shall mean any of the practices, methods and acts which, in the exercise of reasonable judgment, in light of the facts, including, but not limited to, the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry prior thereto, known at the time the decision was made, would have been expected to accomplish the desired result consistent with cost-effectiveness, reliability, safety, and expedition. It is recognized that Prudent Utility Practice is not intended to be limited to the optimum practice, method or act to the exclusion of all others, but rather is a spectrum of possible practices, methods or acts which could have been expected to accomplish the desired result at the lowest reasonable cost consistent with cost-effectiveness, reliability, safety and expedition.

Regulatory Assets shall mean the sum of any amounts properly recordable as unrecovered plant and regulatory study costs or as other regulatory assets as determined in accordance with Accounting Requirements and reported on RUS Form 12a.

Restricted Property shall mean all properties of the Mortgagor other than automobiles, trucks, trailers, tractors, other vehicles (including, without limitation, aircraft, towboats, tugboats, barges, vessels, and ships, but excluding railcars and locomotives), office, garage and warehouse space and office equipment (including, without limitation, computers).

RUS Form 12 or Form 12a shall mean the version, of any date, which may be specified by RUS of such RUS Form 12 or Form 12a (such form is the successor to and the same as RUS Form 12 or Form 12a) or any later revision thereof which shall have been at the time prescribed for use by RUS; if some other form containing the corresponding information shall at the time be prescribed by RUS, such reference shall apply to the corresponding item in such other form; or, if no such form is applicable to the accounts of the Mortgagor, such reference shall apply to the corresponding information otherwise determined in a comparable manner.

RUS Loan Agreement shall mean the loan contract more particularly described in Appendix A hereto, executed by and between the Government and the Mortgagor, as it is amended by the Current RUS Loan Agreement and as it has previously and as it may hereafter be supplemented, amended or restated, together with any contract under which the Government has

or may hereafter guarantee, pursuant to the Act, the repayment by the Mortgagor of a loan or loans made by a third party or parties to the Mortgagor.

RUS Mortgage shall mean, collectively, the mortgages and security agreements more particularly described in Appendix A hereto, made by and among the Mortgagor, the Government, acting through the Administrator, CFC, as subsequently amended, supplemented, consolidated or restated.

RUS Notes shall mean the Outstanding RUS Notes, the Current RUS Notes and the Additional RUS Notes.

RUS Guaranteed Notes shall mean guaranteed notes and refunding, renewal, and substitute notes which may from time to time be executed and delivered by the Mortgagor to the Government.

RUS Reimbursement Notes shall mean the RUS Reimbursements Notes, as more particularly described in Appendix A hereto.

Subordinated Indebtedness shall mean unsecured indebtedness of the Mortgagor, payment of which shall be subordinated to the prior payment of the Notes by subordination agreement in form and substance satisfactory to the Two-Thirds Noteholders.

This Mortgage shall have the meaning specified in Section 2.01 hereof.

Times Interest Earned Ratio (TIER) shall mean the ratio determined as follows: for each calendar year add the total of (i) Net Patronage Capital or Margins of the Mortgagor, and (ii) Interest on Long-Term Debt of the Mortgagor, and divide the total so obtained by Interest on Long-Term Debt of the Mortgagor; provided, however, that in computing Interest on Long-Term Debt, there shall be added, to the extent not otherwise included, an amount equal to 33-1/3% of the rentals of Restricted Property under Long-Term Leases paid by the Mortgagor, in excess of 2% of the net of the Mortgagor's Total Margins and Equities less Regulatory Assets.

Total Assets shall mean an amount constituting total assets of the Mortgagor as computed pursuant to Accounting Requirements.

Total Long-Term Debt shall mean an amount constituting the total long-term debt of the Mortgagor determined in accordance with Accounting Requirements and reported on RUS Form 12a.

Total Margins and Equities shall mean an amount constituting the total Margins and Equities of the Mortgagor determined in accordance with Accounting Requirements and reported on RUS Form 12a.

Total Utility Plant shall mean an amount constituting the total utility plant of the Mortgagor determined in accordance with Accounting Requirements and reported on RUS Form 12a.

25% Noteholders shall mean the holder or holders of not less than 25% in principal amount of the Notes at the time unpaid and outstanding.

Two-Thirds Noteholders shall mean the holder or holders of not less than 66-2/3% in principal amount of Notes at the time unpaid and outstanding, which holders shall include the Government so long as it is a holder of any Notes at the time unpaid and outstanding.

Uniform Commercial Code shall mean the Uniform Commercial Code of any applicable state.

unpaid and outstanding shall have the meaning specified in Section 7.04 hereof.

Accounting terms not defined above are used in this Mortgage in their ordinary sense and any computations relating to such terms shall be computed in accordance with Accounting Requirements.

ARTICLE II

SECURITY

SECTION 2.01. Consolidation of RUS Mortgage. The RUS Mortgage is hereby amended, supplemented and consolidated to read in its entirety from and after the date of execution of this Consolidated Mortgage, Security Agreement, and Financing Agreement (the RUS Mortgage, as amended, supplemented and consolidated hereby, being hereinafter sometimes called "this Mortgage") as set forth herein.

SECTION 2.02. Granting Clause. In order to secure the payment of the principal of and interest on the Notes, according to their tenor and effect, and further to secure the due performance of the covenants, agreements and provisions contained in this Mortgage, the CFC Loan Agreements and the RUS Loan Agreement, and to declare the terms and conditions upon which the Notes are to be secured, the Mortgagor, in consideration of the premises, has executed and delivered this Mortgage, and has granted, bargained, sold, conveyed, warranted, assigned, transferred, mortgaged, pledged and set over, and granted a continuing security interest in , and by these presents does hereby grant, bargain, sell, convey, warrant, assign, transfer, mortgage, pledge and set over, and confirm, pledge, and grant a continuing security interest and lien in, for the purposes hereinafter expressed, unto each Mortgagee, and its respective assigns, all and singular the real and personal property, assets, rights, privileges, and franchises of the Mortgagor of every kind and description, real, personal or mixed, tangible and intangible, of the kind or nature specifically mentioned herein or ANY OTHER KIND OR NATURE, now owned or

hereafter acquired or arising by or on behalf of the Mortgagees (by purchase, consolidation, merger, donation, construction, erection or in any other way) wherever located, including, without limitation, all and singular the following-described property (hereinafter sometimes called the "Mortgaged Property"):

I

All right, title and interest of the Mortgagor in and to the electric generating plants and facilities and electric transmission and distribution lines and facilities now owned by the Mortgagor and located in the Counties listed in **Appendix B** hereto or hereafter constructed or acquired by the Mortgagor, wherever located, and in and to all extensions and improvements thereof and additions thereto, including all substations, service and connecting lines (both overhead and underground), poles, towers, posts, crossarms, wires, cables, conduits, mains, pipes, tubes, transformers, insulators, meters, electrical connections, lamps, fuses, junction boxes, fixtures, equipment, appliances, generators, dynamos, water turbines, water wheels, boilers, steam turbines, motors, switch boards, switch racks, pipe lines, pollution control equipment machinery, tools, supplies, switching and other equipment, railroads, microwave systems, caissons, tunnels and any and all other property of every nature and description, used or acquired for use by the Mortgagor in connection therewith, and including, without limitation, the property described in **Appendix B** hereto.

II

All right, title and interest of the Mortgagor in, to and under any and all fixtures, grants, privileges, rights of way and easements now owned, held, leased, enjoyed or exercised, or which may hereafter be owned, held, leased, acquired, enjoyed or exercised, by the Mortgagor for the purposes of, or in connection with, the construction or operation by or on behalf of the Mortgagor of electric transmission or distribution lines or systems, whether underground or overhead or otherwise, or of any electric generating plant, wherever located.

III

All right, title and interest of the Mortgagor in, to and under any and all licenses, ordinances, air emission allowances, privileges and permits granted, issued or executed, or which may hereafter be granted, issued or executed, to it or to its assignors by the United States of America, or by any state, or by any county, township, municipality, village or other political subdivision thereof, or by any agency, board, commission or department of any of the foregoing, authorizing the construction, acquisition, or operation of electric transmission or distribution lines, or systems, or any electric generating plant or plants, insofar as the same may by law be assigned, granted, bargained, sold, conveyed, transferred, mortgaged or pledged.

IV

All right, title and interest of the Mortgagor in, to and under any and all agreements, contracts heretofore or hereafter executed by and between the Mortgagor and any person, firm, corporation or governmental body or agency providing for the purchase, sale, exchange or transmission of electric power or energy by the Mortgagor together with any and all other accounts, contract rights and general intangibles (as such terms are defined in the applicable Uniform Commercial Code) heretofore or hereafter acquired by the Mortgagor, including, without limitation, the accounts, contract rights and general intangibles described in **Appendix B** hereto.

V

Also, all right, title and interest of the Mortgagor in, to, and under all other property, real or personal, tangible or intangible, of every kind, nature and description, including, without limitation, all goods (including inventory, equipment and any accessions thereto), instruments, documents, accounts, chattel paper, deposit accounts (including, but not limited to, money held in a trust account pursuant hereto or to a loan agreement), letter-of-credit rights, investment properties (including certificated and uncertificated securities, security entitlements and securities accounts), software, general intangibles (including, but not limited to, payment intangibles), supporting obligations, and any other contract rights or rights to the payment of money, insurance claims or proceeds (as such terms are presently and hereinafter defined in the applicable Uniform Commercial Code provided, however, that the term "instrument" shall be such term as defined in Article 9 of the applicable Uniform Commercial Code rather than Article 3), and wheresoever situated, now owned or hereafter acquired by the Mortgagor, it being the intention hereof that all such property now owned but not specifically described herein or acquired or held by the Mortgagor after the date hereof shall be as fully embraced within and subjected to the lien hereof as if the same were now owned by the Mortgagor and were specifically described herein to the extent only, however, that the subjection of such property to the lien hereof shall not be contrary to law.

VI

All right, title and interest of the Mortgagor in, to and under any and all agreements, leases or contracts heretofore or hereafter executed by and between the Mortgagor and any person, firm or corporation relating to the Mortgaged Property (including contracts for the lease, occupancy or sale of the Mortgaged Property, or any portion thereof);

VII

All right, title and interest of the Mortgagor in, to and under any and all books, records and correspondence relating to the Mortgaged Property, including, but not limited to: all records, ledgers, leases and computer and automatic machinery software and programs, including without limitation, programs, databases, disc or tape files and automatic machinery print outs,

runs and other computer prepared information indicating, summarizing, evidencing or otherwise necessary or helpful in the collection of or realization on the Mortgaged Property;

Together with all tolls, rents, income, revenues, profits, proceeds, products and benefits at any time derived, received or had from any and all of the above-described property of the Mortgagor.

Provided, however, that except as provided in Section 4.13 hereof, the following shall not be included in Mortgaged Property: automobiles, trucks, trailers, tractors or other vehicles (including, without limitation, aircraft, towboats, tugboats, barges, vessels, or ships, if any, which are entitled and/or registered in any state of the United States of America and owned or used by the Mortgagor but excluding rail cars and locomotives) owned or used by the Mortgagor.

TO HAVE AND TO HOLD all and singular the Mortgaged Property unto the Mortgagees and their respective assigns forever, to secure equally and ratably the payment of the principal of and interest on the Notes, according to their tenor and effect, without preference, priority or distinction as to interest or principal (except as otherwise specifically provided herein) or as to lien or otherwise of any Note over any other Note by reason of the priority in time of the execution, delivery or maturity thereof or of the assignment or negotiation thereof, or otherwise, and to secure the due performance of the covenants, agreements and provisions herein and in the CFC Loan Agreements and the RUS Loan Agreement, contained, and for the uses and purposes and upon the terms, conditions, provisos and agreements hereinafter expressed and declared.

ARTICLE III

ADDITIONAL NOTES

SECTION 3.01. Additional Notes Secured by this Mortgage. (a) The Mortgagor, when authorized by resolution or resolutions of its board of directors, may from time to time (1) execute and deliver to the Government one or more Additional RUS Notes and (2) execute and deliver to CFC one or more Additional CFC Notes.

(b) The Mortgagor, when authorized by resolution or resolutions of its board of directors, may also from time to time execute and deliver one or more Additional Notes to refund any Note or Notes at the time outstanding and secured hereby, or in renewal of, or in refinancing of, or in substitution for, any such outstanding Note or Notes. Additional Notes shall contain such provisions and shall be executed and delivered upon such terms and conditions as the board of directors of the Mortgagor in the resolution or resolutions authorizing the execution and delivery thereof and the relevant lender shall prescribe; provided, however, that the Notes and other obligations at any one time secured hereby shall not exceed in the aggregate principal amount the Maximum Debt Limit, and no Note shall mature more than 50 years after the date of this Mortgage.

(c) No Additional Notes shall be secured by this Mortgage without the prior written approval thereof by the Government. The determination of whether any Additional CFC Note to be secured by this Mortgage shall be so secured as a CFC Class A Note or a CFC Class B Note shall be made by the Government at the time of such approval.

SECTION 3.02. Supplemental Mortgages to Confirm Security. The Mortgagor, may from time to time execute, acknowledge, deliver, record and file mortgages supplemental to this Mortgage, which thereafter shall form a part hereof, for the purpose of formally confirming this Mortgage as security for the Notes. Nothing herein contained shall require the execution and delivery by the Mortgagor of a supplemental mortgage in connection with the issuance hereunder or the securing hereby of Notes except as hereinafter provided in Section 4.13 hereof.

ARTICLE IV

PARTICULAR COVENANTS OF THE MORTGAGOR

The Mortgagor covenants with the Mortgagees and Noteholders and each of them as follows:

SECTION 4.01. Authority to Execute and Deliver Notes and Mortgage; All Action Taken; Enforceable Obligations. The Mortgagor is duly authorized under its articles of incorporation and by-laws and the laws of the State of its incorporation and all other applicable provisions of law to execute and deliver the Outstanding Notes, the Current Notes and this Mortgage, and, to execute and deliver Additional Notes; all corporate action on its part for the execution and delivery of the Outstanding Notes, the Current Notes and this Mortgage has been duly and effectively taken; and the Outstanding Notes, the Current Notes and this Mortgage are, or when executed and delivered will be, the valid and enforceable obligations of the Mortgagor in accordance with their respective terms.

SECTION 4.02. Authority to Mortgage Property; No Liens; Exceptions for Permitted Encumbrances; Mortgagor to Defend Title and Remove Liens. The Mortgagor warrants that it has good right and lawful authority to mortgage the property described in the Granting Clause of this Mortgage for the purposes herein expressed, and that the said property is free and clear of any deed of trust, mortgage, lien, charge or encumbrance thereon or affecting the title thereto, except the lien of this Mortgage and Permitted Encumbrances. Except as to Permitted Encumbrances, the Mortgagor will, so long as any of the Notes shall be outstanding, maintain and preserve the lien of this Mortgage superior to all other liens affecting the Mortgaged Property, and will forever warrant and defend the title to the property described as being mortgaged hereby to the Mortgagees against any and all claims and demands whatsoever. Except as to Permitted Encumbrances, the Mortgagor will promptly pay or discharge any and all obligations for or on account of which any such lien or charge might exist or could be created and any and all lawful taxes, rates, levies, assessments, liens, claims or other charges imposed upon or accruing upon any of the Mortgagor's property (whether taxed to the Mortgagor or to any

Noteholder), or the franchises, earnings or business of the Mortgagor, as and when the same shall become due and payable; and whenever called upon so to do the Mortgagor will furnish to the Mortgagees or to any Noteholder adequate proof of such payment or discharge; provided, however, that this provision shall not be deemed to require the payment or discharge of any tax, rate, levy, assessment or other governmental charge while the Mortgagor is contesting the validity thereof by appropriate proceedings in good faith and so long as it shall have set aside on its books adequate reserves with respect thereto.

SECTION 4.03. No Encumbrances on Property; Exceptions for Parity Lien in favor of Another Lender. (a) Except to secure loans to the Mortgagor, or to a third party or parties the obligation of which is assumed by the Mortgagor, made or guaranteed by the Government, or made by CFC in each case in the manner specified in Section 3.01 hereof, the Mortgagor will not, without the consent in writing of the Government and, in the event CFC is the Majority Noteholder, CFC, charge, assign, pledge, mortgage or otherwise encumber any of its property, real or personal, tangible or intangible, wheresoever located, which at the time is, or at any time may become, subject to the lien of this Mortgage, but in no event contrary to the provisions of Section 4.02 hereof, provided however, except that, in the event the Mortgagor shall have duly applied for a loan from another lender or lenders which the Government shall have in writing approved and determined to be financially feasible for the Mortgagor and, in the manner prescribed by the Government, then the Mortgagor may, obtain a commitment for such loan from another lender or lenders and agree to encumber its Mortgaged Property by amending this Mortgage to secure equally and ratably with the Notes the evidence of such loan from such lender or lenders, and in such case the Mortgagees will consent to and execute and deliver an amendment to this Mortgage, or such other instrument as may be appropriate, in order to secure the evidence of such loan; and provided further that by such amendment to this Mortgage or otherwise, such other lender or lenders shall receive no greater rights or powers than those granted to CFC, without the consent in writing from the Government and CFC

SECTION 4.04. Payment of Notes; Prepayments. The Mortgagor will duly and punctually pay the principal of, interest on, and any and all other amounts payable under the Notes at the dates and places and in the manner provided therein, according to the true intent and meaning thereof, and all other sums becoming due thereunder and hereunder. The Mortgagor may at any time make prepayments, on account of all or part of the principal of the Notes, to the extent and in the manner therein and in the RUS Loan Agreement and the CFC Loan Agreements set forth; provided, however, that (i) any prepayment of any of the CFC Notes shall be accompanied by a simultaneous pro rata prepayment of each of the RUS Notes issued in connection with such CFC Note as a result of a Contemporaneous Loan, all as hereinafter set forth, and (ii) any prepayment of any of the RUS Notes shall be accompanied by a simultaneous pro rata prepayment of each of the CFC Notes issued in connection with such RUS Note as a result of a Contemporaneous Loan, all as hereinafter set forth. Prepayments which are required to be apportioned between the CFC Notes on the one hand and the RUS Notes on the other hand under the above proviso shall be apportioned according to the proportions which the aggregate unpaid principal amount of such CFC Note and the aggregate unpaid principal amount of such RUS Notes, respectively, bear to the aggregate unpaid principal amount of such CFC Note and

RUS Notes, collectively, on the date of prepayment and shall be applied to such Notes and installments thereof as may be designated by the respective Noteholders at the time of any such prepayment. For purposes of this Section 4.04, the term "RUS Notes" shall not be deemed to include Notes which refund, renew or are in substitution for Outstanding RUS Notes.

SECTION 4.05. Preservation of Corporate Existence and Franchises; Compliance with Laws; Limitations on Mergers and Transfers of Capital Assets. (a) The Mortgagor will at all times, so long as any of the Notes shall be outstanding, take or cause to be taken all such action as from time to time may be necessary to preserve its corporate existence and to preserve and renew all franchises, rights of way, easements, allowances, permits and licenses now or hereafter to it granted or upon it conferred, and the Mortgagor will comply in all material respects with all federal, state, and local laws, rules, regulations, ordinances, codes, and orders the failure to comply with which could have a material adverse effect on the condition, financial or otherwise, operations, properties or business of the Mortgagor, or the ability of the Mortgagor perform its obligations under this Mortgage, the RUS Loan Agreement, the CFC Financing Agreements, CFC Guaranty Agreements and the CFC Loan Agreements.

(b) The Mortgagor will not, (1) without the prior written consent of the Government, restructure, consolidate with or merge into any other Person or permit any other Person to merge into the Mortgagor, sell all or substantially all of its business or assets to another Person or acquire all or substantially all of the business or assets of another Person if such sale or acquisition is analogous in purpose or effect to a merger or consolidation or (2) without the approval in writing of the Two-Thirds Noteholders restructure, consolidate with or merge into or permit any such consolidation or merger or so sell all or substantially all of its business or assets to another Person or so acquire all or substantially all of the business or assets of another Person if such sale or acquisition is analogous in purpose or effect to a sale, restructure, merger or consolidation.

(c) The Mortgagor shall not, without the prior written approval of the Two-Thirds Noteholders, sell, assign, lease as lessor, transfer or otherwise dispose of (including any subsidiary or affiliate of the Mortgagor) or make any agreement therefor, any capital asset, unless the fair market value of such asset is less than \$50,000 and the aggregate value of assets so sold, leased, transferred or other disposition, in any 12-month period is less than \$200,000 and the proceeds of such sale, lease, transfer or other disposition, less ordinary and reasonable expenses incident to such transaction, are immediately: (1) applied as a prepayment of the Notes, pro rata according to the aggregate unpaid principal amount of such Notes, to such installments thereof as may be designated by the respective Noteholders at the time of any such prepayment, (2) in the case of dispositions of equipment, materials or scrap, applied to the purchase of other property useful in the Mortgagor's utility business, not necessarily of the same kind as the property disposed of, which shall forthwith become subject to the lien of this Mortgage or (3) set aside as a deposit in the construction fund contemplated by Account Number 131.2 of the Uniform System of Accounts. All prepayments made pursuant to this subsection shall be subject to such premiums as may be provided in the Notes and Loan Agreements.

SECTION 4.06. Maintenance of Mortgaged Property. (a) The Mortgagor will at all times maintain and preserve the Mortgaged Property and each and every part and parcel thereof in good repair, working order and condition and in compliance with all applicable laws, regulations and orders, and will from time to time make all needful and proper repairs, renewals and replacements, and useful and proper alterations, additions, betterments and improvements, and will, subject to contingencies beyond its reasonable control, at all times keep its plant and properties in necessary continuous operating condition and use all reasonable diligence to furnish the consumers served by it through the Mortgaged Property, or any part thereof, with an adequate supply of electric energy and other services furnished by the Mortgagor. If any substantial part of the Mortgaged Property is leased by the Mortgagor to any other party, the lease agreement between the Mortgagor and the lessee shall obligate the lessee to comply with the provisions of subsections (a) and (b) of this Section 4.06 in respect of the leased facilities and to permit the Mortgagor to operate the leased facilities in the event of any failure by the lessee to so comply.

(b) If in the sole judgment of any Mortgagee, the Mortgaged Property is not being maintained and repaired in accordance with paragraph(a) of this section, such Mortgagee may send to the Mortgagor a written report of needed improvements and the Mortgagor will upon receipt of such written report promptly undertake to accomplish such improvements.

(c) The Mortgagor further agrees that upon reasonable written request of any Mortgagee, which request together with the requests of any other Mortgagee shall be made no more frequently than once every three years, the Mortgagor will supply promptly to each Mortgagee a certification (hereinafter called the "Engineer's Certification"), in form satisfactory to the requestor, prepared by a professional engineer, who shall be satisfactory to the Mortgagees, as to the condition of the Mortgaged Property. If in the sole judgment of any Mortgagee the Engineer's Certificate discloses the need for improvements to the condition of the Mortgaged Property or any other operations of the Mortgagor, such Mortgagee may send to the Mortgagor a written report of such improvements and the Mortgagor will upon receipt of such written report promptly undertake to accomplish such of these improvements as are required by such Mortgagee.

SECTION 4.07. Purchase of Property Free of Liens; Limitation on Long-Term Leases. Except as specifically authorized in writing in advance by the Government, the Mortgagor will purchase all materials, equipment and replacements to be incorporated in or used in connection with the Mortgaged Property outright, and not subject to any conditional sales agreement, chattel mortgage, bailment, lease, or other agreement reserving to the seller any right, title or lien. The Mortgagor will not, without the approval in writing of the Government, become or be obligated under Long-Term Leases for the rental from others of Restricted Property if the aggregate amount of rentals thereunder accrued or which may accrue during any period of 12 calendar months shall exceed 2% of the Equity of the Mortgagor at the time any determination of such rental obligations is made hereunder.

SECTION 4.08. Insurance; Restoration of Damaged Mortgaged Property. (a) The Mortgagor will take out, as the respective risks are incurred, and maintain the classes and

amounts of insurance in conformance with generally accepted utility industry standards for such classes and amounts of coverages of utilities of the size and character of the Mortgagor and consistent with Prudent Utility Practice.

(b) The foregoing insurance coverage shall be obtained by means of bond and policy forms approved by regulatory authorities having jurisdiction, and with respect to insurance upon any part of the Mortgaged Property, shall provide that the insurance shall be payable to the Mortgagees as their interests may appear by means of the standard mortgagee clause without contribution, including standard RUS endorsements and riders used by the insurance industry to provide coverage for RUS borrowers. Each policy or other contract for such insurance shall contain an agreement by the insurer that, notwithstanding any rights of cancellation reserved to such insurer, such policy or contract shall continue in force for at least 30 days after written notice to the Mortgagees of cancellation.

(c) In the event of damage to or the destruction or loss of any portion of the Mortgaged Property which shall be covered by insurance, unless the Government shall otherwise agree in writing, the Mortgagor shall replace or restore such damaged, destroyed or lost portion so that the Mortgaged Property shall be in substantially the same condition as it was in prior to such damage, destruction or loss, and shall apply the proceeds of the insurance for that purpose; provided, however, that in the event the Mortgagor, with agreement therefor by the Government shall not so replace or restore such damaged, destroyed or lost portion of the Mortgaged Property, the Mortgagor shall apply the proceeds of the insurance as a ratable prepayment of or on account of the unpaid principal of the Notes, to such installments thereof as may be designated by the respective Noteholders at the time of any such payment. The Mortgagor shall replace the loss or shall commence such restoration promptly after such damage, destruction or loss shall have occurred and shall complete such replacement or restoration as expeditiously as practicable, and shall pay or cause to be paid out of the proceeds of such insurance all costs and expenses in connection therewith so that such replacement or restoration shall be so completed that the portion of the Mortgaged Property so replaced or restored shall be free and clear of all mechanics' liens and other claims. All such prepayments shall be subject to such premiums as may be provided in the Notes and Loan Agreements.

(d) Sums recovered under any policy or fidelity bond by the Mortgagor for a loss of funds advanced under the Notes or recovered by a Mortgagee or any Noteholder for any loss under such bond shall, unless applied as provided in the preceding paragraphs, be used to finance construction of utility plant secured or to be secured by this Mortgage, or unless otherwise directed by the Two-Thirds Noteholders, be applied to the prepayment of the Notes pro rata according to the unpaid principal amounts thereof (such prepayments to be applied to such Notes and installments thereof as may be designated by the respective Noteholders at the time of any such prepayment), or to construct or acquire facilities approved by the Two-Thirds Noteholders, which will become part of the Mortgaged Property.

(e) At the request of any Mortgagee, the Mortgagor shall exercise such rights and remedies which they may have under such policy or fidelity bond and which may be designated

by such Mortgagee, and the Mortgagor hereby irrevocably appoints each Mortgagee as its agent to exercise such rights and remedies under such policy or bond as such Mortgagee may choose, and the Mortgagor shall pay all costs and reasonable expenses incurred by the Mortgagee in connection with such exercise.

SECTION 4.09. Mortgagee's Right to Expend Money to Protect Mortgaged Property. In the event of the failure of the Mortgagor in any respect to comply with the covenants and conditions herein contained with respect to the procuring of insurance, the payment of taxes, assessments and other charges, the keeping of the Mortgaged Property in repair and free of liens and other claims or to comply with any other covenant contained in this Mortgage, any Mortgagee shall have the right (without prejudice to any other rights arising by reason of such default) to advance or expend moneys for the purpose of procuring such insurance, or for the payment of insurance premiums, taxes, assessments or other charges, or to save the Mortgaged Property from sale or forfeiture for any unpaid tax or assessment, or otherwise, or to redeem the same from any tax or other sale, or to purchase any tax title thereon, or to remove or purchase any mechanics' liens or other encumbrance thereon, or to make repairs thereon or to comply with any other covenant herein contained or to prosecute or defend any suit in relation to the Mortgaged Property or in any manner to protect the Mortgaged Property and the title thereto, and all sums so advanced for any of the aforesaid purposes with interest thereon at the highest legal rate, shall be deemed a charge upon the Mortgaged Property in the same manner as the Notes at the time outstanding are secured and shall be forthwith paid to the Mortgagee making such advance or advances upon demand. It shall not be obligatory for any Mortgagee in making any such advances or expenditures to inquire into the validity of any such tax title, or of any of such taxes or assessments or sales therefor, or of any such mechanics' liens or other encumbrance. A Mortgagee acting hereunder shall not be liable to the Mortgagor, the other Mortgagees or any Noteholder except for losses resulting from gross negligence or wilful misfeasance.

SECTION 4.10. Limitations on: System Extensions and Additions; Operation and Maintenance Contracts; Power Purchases Contracts; Power Sales Contracts; Expenditures for Services; Deposits of Funds The Mortgagor will not, without the prior written approval of the Government (a) construct, make, lease, purchase or otherwise acquire any extensions or additions to its system or enter into any contract therefor, except such extensions, or additions as may be financed with loans evidenced by Additional Notes; (b) enter into any contract or contracts for the operation or maintenance of all or any part of its property, for the purchase of electric power or energy, for the sale for resale, or for the sale to the ultimate consumer, of electric power and energy in excess of 1,000 kilowatts, for any transmission, interconnection or pooling arrangements, or for the use by others of any of its property; or (c) deposit any of its funds, regardless of the source thereof, in any bank or other depository which is not a member of the Federal Deposit Insurance Corporation, or the successor thereof, or of a Federal Reserve Bank..

SECTION 4.11. Salaries of Directors, Officers and Employees. The Mortgagor will not pay its directors, as such, any salaries for their services, except such as shall have been

approved by the Government; provided that nothing herein contained shall preclude any director from serving the Mortgagor in any other capacity and receiving compensation therefor. Salaries and wages paid officers and employees shall be reasonable and in conformity with the usual practice of corporations of the size and nature of the Mortgagor.

SECTION 4.12. Financial Books; Financial Reports; Mortgagee Right of Inspection. The Mortgagor 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 Mortgagor, in accordance with the methods and principles of accounting prescribed by the Accounting Requirements. The Mortgagor will prepare and furnish each of the Mortgagees not later than the 20th day of each month, or at less frequent intervals when specified by any such Mortgagee, financial and statistical reports on its condition and operations. Such reports shall be in such form and include such information as may be specified by such Mortgagee, including, without limitation, an analysis of the Mortgagor's revenues, expenses and consumer accounts. The Mortgagor will cause to be prepared and furnished to each of the Mortgagees at least once during each 12-month period during the term hereof, a full and complete report of its financial condition as of a date (hereinafter called the "Fiscal Date") not more than 90 days prior to the date such report is furnished to the Mortgagees hereunder, and of its operations for the 12-month period ended on the Fiscal Date, in form and substance satisfactory to the Government audited and certified by independent certified public accountants satisfactory to the Government, and accompanied by a report of such audit in form and substance satisfactory to the Government. Each Mortgagee, through its representatives, shall at all times during reasonable business hours have access to, and the right to inspect and make copies of, any or all books, records, accounts, including electronic books, records and accounts and electronic mail messages, regardless of the physical form or characteristics, and any or all invoices, contracts, leases, payrolls, canceled checks, statements and other documents and papers of every kind belonging to, controlled by, or in the possession of the Mortgagor or in anywise pertaining to its property or business.

SECTION 4.13. Further Assurances to Confirm Security of Mortgage; When Vehicles Are to be Made Subject to Mortgage Lien. (a) The Mortgagor will from time to time upon written demand of any Mortgagee make, execute, acknowledge and deliver or cause to be made, executed, acknowledged and delivered all such further instruments of further assurance, and supplemental indentures of mortgage, deeds of trust, mortgages, financing statements, continuation statements, security agreements, instruments and conveyances as may reasonably be requested by any Mortgagee, and take or cause to be taken all such further action as may reasonably be requested by any Mortgagee to effectuate the intention of these presents and to provide for the securing and payment of the principal of, interest on, and any and all other amounts payable under the Notes equally and ratably according to the terms thereof and for the purpose of fully conveying, transferring and confirming unto the Mortgagees the property hereby conveyed, mortgaged and pledged, or intended so to be, whether now owned by the Mortgagor or hereafter acquired by it and to reflect the assignment of the rights or interests of any of the Mortgagees or of any Noteholder hereunder or under any Note. The Mortgagor will cause this Mortgage and any and all supplemental indentures of mortgage, mortgages and deeds of trust and every security agreement, financing statement covering security interests, continuation statement

and every additional instruments of further assurance which shall be executed pursuant to the foregoing provisions forthwith upon execution to be promptly recorded, registered and filed and rerecorded and refiled as conveyances and mortgages and deeds of trust of and security interests in real and personal property in such manner and in such places as may be required by law or reasonably requested by any Mortgagee in order fully to preserve the security for the Notes and to perfect and maintain the superior lien of this Mortgage and all supplemental indentures of mortgage, mortgages and deeds of trust, and financing statements and to preserve and protect the rights and remedies of the Mortgagees and the Noteholders hereunder to all property comprising the Mortgaged Property.

(b) In the event that the Mortgagor suffers in the future a deficit in net income, as determined in accordance with Accounting Requirements, for any fiscal year while any of the Notes are outstanding, the Mortgagor will at any time or times upon written demand of any Mortgagee make, execute, acknowledge and deliver or cause to be made, executed, acknowledged and delivered all such further and supplemental indentures of mortgage, mortgages, security agreements, financing statements, instruments and conveyances, and take or cause to be taken all such further action, as may reasonably be requested by or upon the written demand of the Government, CFC, in order to include in this Mortgage, as Mortgaged Property, and to subject to all the terms and conditions of this Mortgage, all right, title and interest of the Mortgagor in and to, all and singular, the automobiles, trucks, trailers, tractors, aircraft, towboats, tugboats, barges, vessels, and ships then owned by the Mortgagor, or which may thereafter be owned or acquired by the Mortgagor. From and after the time of such written demand of the Government, CFC or such property, shall be deemed to be part of the Mortgaged Property for all purposes hereof.

SECTION 4.14. Time Extensions for Payment of Notes. Any Noteholder may, at any time or times in succession without notice to or the consent of the Mortgagor or any other Noteholder and upon such terms as such Noteholder may prescribe, grant to any person, firm or corporation who shall have become obligated to pay all or any part of the principal of or interest on any Note held by or indebtedness owed to such Noteholder or who may be affected by the lien hereby created, an extension of the time for the payment of such principal or interest, and after any such extension the Mortgagor will remain liable for the payment of such Note or indebtedness to the same extent as though it had at the time of such extension consented thereto in writing.

SECTION 4.15 TIER and DSC Requirements Pertaining to Rates.

(a)(1) The Mortgagor shall design and implement rates for electric capacity, energy and other services furnished by it to provide sufficient revenue (along with other revenue available to the Mortgagor) (i) to pay all fixed and variable expenses when and as due, (ii) to provide and maintain reasonable working capital, and (iii) to maintain, on an annual basis a TIER of 1.05 and a DSC of 1.0.

(2) The Mortgagor shall give thirty (30) days prior written notice of any proposed change in its general rate structure to each of the Mortgagees.

(b)(1) The average TIER and DSC achieved by the Mortgagor in the two (2) best years out of the three (3) most recent calendar years must not be less than 1.05 for TIER and 1.0 for DSC.

(2) Promptly following the end of each calendar year, the Mortgagor shall report in writing to the Mortgagees the TIER and DSC levels which were achieved during that calendar year.

(3) If the Mortgagor fails to achieve the average levels required by paragraph (b)(1) of this section, it must promptly notify the Mortgagees in writing to that effect.

(4) Within thirty (30) days of sending a notice to the Government under paragraph (b)(3) of this section, or of being notified by the Government, whichever is earlier, the Mortgagor in consultation with the Government shall provide a written plan satisfactory to the Government setting forth the actions that shall be taken to achieve the required TIER and DSC on a timely basis.

SECTION 4.16. Limitations on Dividends, Patronage Refunds and Other Cash Distributions. The Mortgagor will not, in any one year, without the approval in writing of the Government, and the Two-Thirds Noteholders, declare or pay any dividends, or pay or determine to pay any patronage refunds, or retire any patronage capital or make any other cash distributions (such dividends, refunds, retirements and other distributions being hereinafter collectively called "Distributions") to its members, stockholders or consumers if, after giving effect to any such Distribution, the total Equity of the Mortgagor will not equal or exceed 40% of its Total Assets; provided, however, that the Mortgagor may nevertheless make Distributions in any year up to 25% of the Patronage Capital or Margins received by the Mortgagor in the next preceeding year where, after giving effect to any such distribution, the total Equity of the Mortgagor will equal or exceed 20% of its total assets and other debits, and provided, however, that in no event will the Mortgagor make any Distributions if there is unpaid when due any installment of principal or interest on the Notes, if the Mortgagor is otherwise in default hereunder or if, after giving effect to any such Distribution, the Mortgagor's total current and accrued assets would be less than its total current and accrued liabilities.

For the purpose of this section, a "cash distribution" shall be deemed to include any general cancellation or abatement of charges for electric energy or services furnished by the Mortgagor, but not the repayment of a membership fee of not in excess of \$100 upon termination of a membership.

SECTION 4.17. Application of Proceeds from Condemnation. In the event that the Mortgaged Property, or any part thereof, shall be taken under the power of eminent domain, all proceeds and avails therefrom, except to the extent that the Government and the Two-Thirds Noteholders shall consent to other use and application thereof by the Mortgagor, shall forthwith be applied by the Mortgagor: first, to the ratable payment of any indebtedness secured by this Mortgage other than indebtedness under the Notes; second, to the ratable payment of interest and

premium, if any, which shall have accrued on the Notes and be unpaid; third, to the ratable payment of or on account of the unpaid principal of the Notes, to such installments thereof as may be designated by the respective Noteholders at the time of any such payment; and fourth, to the ratable payment of any and all other accounts payable under the Notes; and fifth, the balance shall be paid to whosoever shall be entitled thereto; provided, however, that any Noteholder may cause funds to which it may be entitled under clause third hereof to be applied by the Mortgagor to the making of a deposit in the construction fund contemplated by Account 131.2 of the Uniform System of Accounts instead of causing such funds to be applied to the prepayment of any Note held by such Noteholder.

SECTION 4.18. Limitation on Employment of General Manager If, during such periods as the Mortgagor shall be in default hereunder, under the RUS Agreement or any other agreement with RUS, the Government shall at any time request the Mortgagor to terminate the employment of any general manger of the Mortgagor's system or any person exercising comparable authority, or shall request the termination of any operating contract in respect of any such system, the Mortgagor will terminate such employment or operating contract within 30 days after the date of such notice. All contracts in respect of the employment of any such manager or person exercising comparable authority, or for the operation of any such system, shall contain provisions to permit compliance with the foregoing covenants.

SECTION 4.19. Compliance with RUS Loan Agreement, CFC Loan Agreements; Notice of Amendments to, and Defaults under, RUS Loan Agreement, CFC Loan Agreements, Terms of Mortgage to Govern. The Mortgagor will well and truly observe and perform all of the covenants, agreements, terms and conditions contained in the RUS Loan Agreement, the CFC Loan Agreements, as from time to time amended, on its part to be observed or performed. The Mortgagor will promptly furnish each Mortgagee with written notice of any amendment or modification of this Mortgage, the RUS Loan Agreement, the CFC Loan Agreements, and of the occurrence of any event of default under this Mortgage, the RUS Loan Agreement, or the CFC Loan Agreements. For purposes of this Mortgage, in the event of any inconsistency between the terms of this Mortgage and the terms of the RUS Loan Agreement or the CFC Loan Agreements the terms of this Mortgage shall govern.

SECTION 4.20. Organizational Changes. The Mortgagor covenants and agrees that it will give the Mortgagees, thirty (30) days prior to the effective date, written notice of any change in its name, mailing address, or principle place of business or any change in location of its chief place of business or the office where its records concerning accounts and contracts are kept or the state of its incorporation. The Mortgagor covenants and agrees that it will not, without the prior written consent of the Government, change its type of organization, the jurisdiction of its organization or other legal structure. Notwithstanding the foregoing, in the event that any change provided herein necessitates the filing or recording of any instrument or document in order for the Mortgagees to perfect or maintain the perfection and priority of the lien of this Mortgage, then no such action shall b taken unless all such filings and recordings have been completed and each of the Mortgagees shall have received an opinion of counsel to the

Mortgagor (which counsel and opinion shall be acceptable to the Government) that all such actions have been taken.

SECTION 4.21. Rights of Way, etc. Necessary in Business. The Mortgagor will obtain all such rights of way, easements from landowners and releases from lienors as shall be necessary or advisable in the conduct of its business, and, if requested by any Mortgagee, deliver to such Mortgagee evidence satisfactory to such Mortgagee of the obtaining of such rights of way, easements or releases.

SECTION 4.22. When Rights of Government to Vest in CFC; When Rights of CFC Vest in Government. If all the RUS Notes have been paid and discharged while any of the CFC Notes are still outstanding, all rights and powers of the Government and the holders of the RUS Notes under this Mortgage shall immediately vest in CFC and the holders of the CFC Notes, respectively, and, correspondingly, if all the CFC Notes have been paid and discharged while any of the RUS Notes are still outstanding, all rights and powers of CFC and the holders of the CFC Notes under this Mortgage shall immediately vest in the Government and the holders of the RUS Notes, respectively. If all the CFC Notes have been paid and discharged while any of the Government Notes are still outstanding, all rights and powers of the CFC and the holders of the CFC Notes under this Mortgage shall immediately vest in the Government and the holders of the Government Notes, respectively. CFC and the Government, the Mortgagor and the Noteholders shall execute and deliver such instruments, assignments, releases or other documents as shall be reasonably required to carry out the intention of this Section 4.22.

SECTION 4.23. Limitations on Loans, Investments and Other Obligations. (a) The Mortgagor will not, without the prior written consent of the Government, hereafter make any loan or advance to, or make any investment in, or purchase or make any commitment to purchase any stock, bonds, notes or other securities of, or guarantee, assume or otherwise become obligated or liable with respect to the obligations of any person, firm or corporation, except (i) securities or deposits issued, guaranteed or fully insured as to payment by the United States Government or any agency thereof, (ii) Capital Term Certificates or other securities of CFC, (iii) capital credits resulting from the payment for power and energy purchased and actually received from a generating and transmission cooperative of which the Mortgagor is a member, (iv) loans, deposits, advances, investments, securities and obligations which the Mortgagor has, prior to June 14, 1989, committed itself to make, purchase or undertake, as the case may be, and as to which the Mortgagor has given the Mortgagees notice in writing prior to such date, and (v) such other loans, deposits, advances, investments and obligations as may from time to time be made, purchased or undertaken by the Mortgagor; provided, however, that the aggregate cost of investments, plus the total unpaid principal amount of the loans, deposits, advances and obligations, permitted under this clause (v) shall not, except as permitted by applicable law, at any time exceed 15 % of the Total Utility Plant of the Mortgagor.

SECTION 4.24. Restatement of Certain Representations and Covenants in Financing Agreements; Payment of CFC Class A Notes; CFC Loans. (a) So long as any of the CFC Class A Notes shall be unpaid and outstanding, the Mortgagor makes to each Mortgagee the

same representations made by it in Subsections (f), (g), (h), (i), (j), (k), (l) and (n) of Section 2.2 of the CFC Class A Financing Agreements, and covenants and agrees with each Mortgagee that it will comply with the provisions of Section 5.5 of the CFC Class A Financing Agreements.

(b) So long as any of the CFC Class A Notes shall be unpaid and outstanding, in the event that (1) any representation by the Mortgagor contained in said Subsections of Section 2.2 of the CFC Class A Financing Agreements shall prove to be incorrect or untrue in any material respect, or the Mortgagor shall fail to observe or perform any covenant contained in Section 5.5 of any of the CFC Class A Financing Agreements, and (2) a ruling is made to the effect that as a result of such incorrect or untrue representation or failure by the Mortgagor, the interest payable on the bonds (or other debt instruments) related thereto is includable in the gross income for Federal Income Tax purposes of the holder or holders thereof (other than a "substantial user" of the facilities or a "related person" thereto, as such terms are used or defined in Section 147(a) of the Internal Revenue Code of 1986), such ruling being either by (i) the Internal Revenue Service in a published or private ruling or technical advice memorandum in which the Mortgagor has been given the opportunity to participate directly or through any holder or holders of any of the bonds, and the effect of which ruling or memorandum the Mortgagor, in its discretion, does not contest by any appropriate legal judicial proceeding directly or through any holder or holders of any of the bonds, or (ii) a final determination by any court of competent jurisdiction in the United States in a proceeding in which the Mortgagor has been given an opportunity to participate directly or through any holder or holders of any of the bonds, then the Mortgagor shall prepay the related CFC Class A Note within 120 days after the issuance of such determination or ruling. Such prepayment shall not be subject to the provisions of Section 4.04 hereof. To the extent it has insufficient funds available for this purpose from other sources, the Mortgagor will apply to CFC for a long-term loan, the proceeds of which will be used to make such prepayment, and if the Government gives written approval to the Additional Note or Notes evidencing such CFC loan in accordance with Section 3.01 hereof, CFC agrees to make such loan upon substantially the same terms and conditions as shall be then generally applicable to CFC long-term loans to its power supply members.

SECTION 4.25. Compliance with Laws. The Mortgagor shall comply in all material respects with all federal, state, and local laws, rules, regulations, ordinances, codes, and orders the failure to comply with which could have a material adverse effect on the condition, financial or otherwise, operations, properties or business of the Mortgagor, or on the ability of the Mortgagor to perform its obligations under this Mortgage, the RUS Loan Agreement, the CFC Loan Agreements.

SECTION 4.26. Authorization to File Financing Statements. The Mortgagor hereby irrevocably authorizes any Mortgagee at any time and from time to time to file in any jurisdiction any initial financing statements and amendments thereto that:

(a) indicate the Mortgaged Property (i) as all assets of the Mortgagor or words of similar effect, regardless of whether any particular asset comprised in the Mortgaged

Property falls within the scope of Article 9 of the applicable Uniform Commercial Code, or (ii) as being of an equal or lesser scope or with greater detail, and

(b) contain any other information required by the applicable Uniform Commercial Code for the sufficiency or filing office acceptance of any financing statement or amendment, including, but not limited to, (i) whether the Mortgagor is an organization, the type of organization and any organization identification number issued to the Mortgagor and (ii) in the case of a financing statement filed as a fixture filing, a sufficient description of real property to which the Mortgaged Property relates. The Mortgagor agrees to furnish any such information to the Mortgagee promptly upon request. The Mortgagor also ratifies its authorization for the Mortgagee to have filed in any Uniform Commercial Code jurisdiction any like initial financing statements or amendments thereto if filed prior to the date hereof.

ARTICLE V

REMEDIES OF THE MORTGAGEES AND NOTEHOLDERS

SECTION 5.01. Events of Default; Remedies of the Government. If one or more of the following events (hereinafter called "Events of Default") shall happen:

(a) default shall be made in the payment of any installment of or on account of interest on, premium, if any, or principal of, any Note or Notes when and as the same shall be required to be made whether by acceleration or otherwise;

(b) any representation or warranty made by the Mortgagor herein, in the RUS Loan Agreement or the CFC Loan Agreements, or in any certificate delivered hereunder or thereunder shall prove to have been incorrect or untrue in any material respect when made;

(c) default shall be made in the due observance or performance of any of the covenants, conditions or agreements on the part of the Mortgagor contained in Sections 4.03, 4.04, 4.05, 4.07, 4.10, 4.16. and 4.24(a) hereof;

(d) default shall be made in the due observance or performance of any other of the covenants, conditions or agreements on the part of the Mortgagor in any of the RUS Loan Agreement, the CFC Loan Agreements, Notes or in this Mortgage contained, and such default shall continue for a period of 30 days after written notice specifying such default and requiring the same to be remedied shall have been given to the Mortgagor by any Noteholder;

(e) the Mortgagor shall file a petition in bankruptcy or be adjudicated a bankrupt or insolvent, or shall make an assignment for the benefit of its creditors, or shall consent to the appointment of a receiver of itself or of its property, or shall institute proceedings for its

reorganization or proceedings instituted by others for its reorganization shall not be dismissed within 30 days after the institution thereof;

(f) a receiver, trustee or liquidator of the Mortgagor or of any substantial portion of its property shall be appointed and the order appointing such receiver or liquidator shall not be vacated within 30 days after the entry thereof;

(g) the Mortgagor shall forfeit or otherwise be deprived of its corporate charter or franchises, permits, easements or licenses required to carry on any material portion of its business;

(h) a final judgment shall be entered against the Mortgagor and shall remain unsatisfied or without a stay in respect thereof for a period of 30 days; or

(i) a violation of the terms of any subordination agreement entered into in connection with any Subordinated Indebtedness shall have occurred, then in each and every such case the Government, to the extent permitted by applicable state law on behalf of all the Noteholders, may, in its discretion

(aa) without protest, presentment or demand, declare all unpaid principal of, premium, if any, and accrued interest on the Notes to be due and payable immediately; and upon any such declaration all such unpaid principal and accrued interest so declared to be due and payable shall become and be due and payable immediately, anything contained herein or in any Note or Notes to the contrary notwithstanding;

(bb) take immediate possession of the Mortgaged Property, collect and receive all credits, outstanding accounts and bills receivable of the Mortgagor and all rents, income, revenues and profits pertaining to or arising from the Mortgaged Property, or any part thereof, and issue binding receipts therefor; and manage, control and operate the Mortgaged Property as fully as the Mortgagor might do if in possession thereof, including, without limitation, the making of all repairs or replacements deemed necessary or advisable;

(cc) proceed to protect and enforce the rights of the Mortgagees and the rights of the Noteholder or Noteholders under this Mortgage by suits or actions in equity or at law in any court or courts of competent jurisdiction, whether for specific performance of any covenant or agreement contained herein or in aid of the execution of any power herein granted or for the foreclosure hereof or hereunder or for the sale of the Mortgaged Property, or any part thereof, or to collect the debts hereby secured or for the enforcement of such other or additional appropriate legal or equitable remedies as may be deemed most effectual to protect and enforce the rights and remedies herein granted or conferred, and in the event of the institution of any such action or suit the Government shall have the right, irrespective of the adequacy of the security, to have appointed a receiver of the Mortgaged Property and of all rents, income, revenues, and profits pertaining thereto or

arising therefrom derived, received or had from the time of the commencement of such suit or action, and such receiver shall have the usual powers and duties of receivers in like and similar cases, to the fullest extent permitted by law, and if application is made hereunder for the appointment of a receiver, the Mortgagor hereby expressly consents that the court to which the Government shall make such application may, irrespective of the adequacy of the security, make said appointment; and

(dd) sell or cause to be sold all and singular the Mortgaged Property or any part thereof, and all right, title, interest, claim and demand of the Mortgagor therein or thereto, at public auction or otherwise, as may be prescribed or permitted, and in the manner prescribed or permitted by applicable law.

SECTION 5.02. When Mortgagees and Noteholders Other than the Government May Exercise Remedies.

(a) **Majority Noteholders.** Notwithstanding the remedial rights of the Government provided for in Section 5.01 hereof, upon the expiration of 30 days after the happening of an Event or Events of Default, any right or remedy herein or by law conferred which the Government shall not have proceeded to exercise or enforce may, to the extent permitted by applicable state law, be exercised and enforced by the Majority Noteholders on behalf of all the Noteholders.

(b) **25% Noteholders.** Notwithstanding the remedial rights of the Government provided for in Section 5.01 hereof, and of the Majority Noteholders provided for in Section 5.02 (a) hereof, upon the expiration of 30 days after the happening of an Event or Events of Default, any right or remedy herein or by law conferred which the Government shall not have proceeded to exercise or enforce may, to the extent permitted by applicable state law, be exercised and enforced by the 25% Noteholders on behalf of all the Noteholders.

(c) **CFC Class A Notes.** Notwithstanding the remedial rights of the Government provided for in Section 5.01 hereof, and of the Majority Noteholders and the 25% Noteholders provided for in Section 5.02(a) and (b), so long as any of the CFC Class A Notes shall be unpaid and outstanding:

(1) Upon the occurrence of any Event of Default described in Section 5.01(a) hereof in respect of any CFC Class A Note (herein called a "Non-payment Event of Default") (i) if such Non-payment Event of Default or any other Non-payment Event of Default in respect of any CFC Class A Note shall not have been cured after the expiration of 360 days from the initial occurrence of a Non-payment Event of Default, and (ii) if after the expiration of such 360 days CFC shall, in writing, request the Government to exercise the remedy provided for in Section 5.01(bb) hereof, then the Government shall, on or before the expiration of 60 days from the date of such written request, exercise such remedy on behalf of all the Noteholders if, and to the extent, permitted by applicable law. If the Government fails to exercise such remedy at such time, and if the Non-payment

Event of Default first occurring, or any other such Event of Default, shall not have been cured, CFC may forthwith exercise the remedy provided in said Section 5.01(bb) on behalf of all the Noteholders. If, upon the expiration of 720 days after the occurrence of the initial Non-payment Event of Default, such initial Non-payment Event of Default or any other subsequently occurring Non-payment Event of Default in respect of any CFC Class A Note shall not have been cured, CFC may exercise on behalf of all the Noteholders any right or remedy described in Section 5.01 hereof.

(2) If the Mortgagor shall have failed to prepay any CFC Class A Note as provided in Section 4.24(b) hereof and if the bonds (or other debt instruments) related thereto shall have been accelerated then, CFC may exercise on behalf of all the Noteholders any right or remedy described in Section 5.01 hereof.

(3) CFC may, at any time or times, by specific performance or injunctive action, obtain compliance by the Mortgagor with any covenant of the Mortgagor herein (other than covenants providing for payments on account of the Notes) which runs expressly to CFC as such (whether referred to as "CFC" or as a "Mortgagee") and which expressly provides for or requires the consent of, approval of, notice to, or request or direction by, CFC as such (whether referred to as "CFC" or as a "Mortgagee") contained in Subsections 4.08(d) and 4.23(a) hereof, Sections 4.12, 4.13, 4.15, 4.17, 4.19, 4.20, 5.03, and 7.02 hereof, and with any covenants or agreements which run to CFC (whether referred to as "CFC" or as a "Mortgagee") added by amendment of this Mortgage pursuant to the provisions of Section 7.03 hereof.

(4) Any CFC Class A Noteholder may declare all unpaid principal of, premium, if any, and interest on all outstanding CFC Class A Notes to be due and payable immediately, in the manner described in Section 5.01(aa) hereof if: (i) the Government or any person other than such CFC Class A Noteholder or the trustee shall have duly caused acceleration on account of any of the Notes; or (ii) any of the Events of Default specified in Section 5.01(e) or 5.01(f) hereof shall have occurred at the instance of any person (including the Government) other than such CFC Class B Noteholder or the trustee.

(5) Nothing in this Mortgage contained shall affect or impair the right, which is absolute and unconditional, of any CFC Class A Noteholder to enforce the payment of the principal of, premium, if any, or interest on the CFC Class A Note or Notes held by such CFC Class A Noteholder on the date or dates any such interest, premium or principal shall become due and payable, whether by acceleration or otherwise, in accordance with the terms of such note; provided, however, that no such acceleration shall be effective unless pursuant to Section 5.02(d) hereof.

(6) So long as the CFC Class A Notes are unpaid and outstanding, if, in the opinion of counsel satisfactory to the Government, the Government may not lawfully act on behalf and for the benefit of all Noteholders other than the Government, CFC shall have the right in respect of any CFC Class A Note to exercise any right of remedy herein

or by law conferred (a) immediately upon the Government's exercise of any right or remedy hereunder, or (b) on a date 120 days or more after the occurrence of an Event of Default, which is then continuing, if the Government has failed, prior to such date, to exercise any right or remedy hereunder.

(d) CFC Class B Notes.

(1) Notwithstanding the remedial rights of the Government provided for in Section 5.01 hereof, and of the Majority Noteholders and the 25% Noteholders provided for in Section 5.02(a) and (b), so long as any of the CFC Class B Notes shall be unpaid and outstanding:

(aa) Upon the occurrence of (i) any Event of Default described in Section 5.01(a) hereof with respect to any CFC Class B Notes, or (ii) any Event of Default described in Section 5.01(e) or 5.01(f) hereof, if the respective Event of Default referred to in either clause (i) or clause (ii) of this Subsection shall not have been cured upon the expiration of 90 days after the initial occurrence of such Event of Default, then CFC may forthwith exercise on behalf of all Noteholders any right or remedy described in Section 5.01 hereof.

(bb) Nothing contained in this Mortgage shall affect or impair the right, which is absolute and unconditional, of any CFC Class B Noteholder to enforce the payment of the principal of, premium, if any, or interest on the CFC Class B Note held by such CFC Class B Noteholder on the date or dates any such interest, premium or principal shall become due and payable whether by acceleration or otherwise, in accordance with the terms of such Note; provided, however, that no such acceleration by any CFC Class B Noteholder shall be effective unless pursuant to this Section 5.02(c).

(cc) If, in the opinion of counsel satisfactory to the Government, the Government may not lawfully act on behalf and for the benefit of all Noteholders other than the Government, CFC shall have the right, immediately upon the happening of an Event or Events of Default and notwithstanding any action taken by the Government thereunder or otherwise, to exercise any right or remedy herein or by law conferred, with respect to said Notes.

SECTION 5.03. Notice to Mortgagees of Event of Default. The Mortgagor covenants that it will give immediate written notice to the Mortgagees and to all of the Noteholders of the occurrence of an Event of Default hereunder, or in the event that any right or remedy described in clauses (aa) through (dd) of Section 5.01 hereof is exercised or enforced, or clauses (a) through (f) of Section 5.01 hereof, or any action is taken to exercise or enforce any such right or remedy. Each Mortgagee covenants that it will give immediate written notice to the other Mortgagees of the occurrence of an Event of Default hereunder which it has knowledge, or in the event that such Mortgagee exercises or enforces any right or remedy described in said

clauses (aa) through (dd), or in said clauses (a) through (f) or takes any action to exercise or enforce any such right or remedy.

SECTION 5.04. Right of Noteholders to Bid on Mortgaged Property. At any sale hereunder any Noteholder or Noteholders shall have the right to bid for and purchase the Mortgaged Property, or such part thereof as shall be offered for sale.

SECTION 5.05. Application of Proceeds from Remedial Actions. Any proceeds or funds arising from the exercise of any rights or the enforcement of any remedies herein provided after the payment or provision for the payment of any and all costs and expenses in connection with the exercise of such rights or the enforcement of such remedies and any other sums received by the Mortgagees, the disposition of which is not otherwise herein specifically provided for, shall be applied (except to the extent any Note provides for subordination thereof) first, to the payment of indebtedness hereby secured other than under the Notes; second, to the ratable payment of interest which shall have accrued on the Notes and which shall be unpaid; third, to the ratable payment of or on account of the unpaid principal of the Notes; fourth, to the ratable payment of any and all other amounts payable under the Notes; and the balance, if any, shall be paid to whosoever shall be entitled thereto. Any proceeds or funds collected by the Government under this Mortgage for the account or benefit of, or which are distributable or attributable to CFC or any holder of a Note other than an RUS Note in no event shall be deemed to be moneys received for the use of the United States of America as contemplated by 31 United States Code Annotated § 484 or 31 United States Code Annotated § 495. The funds referred to in the first sentence of this section shall include any sums received by the Mortgagees, or either of them, arising from the exercise of any rights or the enforcement of any remedies hereunder.

SECTION 5.06. Remedies Cumulative; No Election. Every right or remedy herein conferred upon or reserved to the Mortgagees or to the Noteholders shall be cumulative and shall be in addition to every other right and remedy given here under or now or hereafter existing at law, or in equity, or by statute. The pursuit of any right or remedy hereunder shall not be deemed to be an election and shall not preclude the pursuit of any other right or remedy.

SECTION 5.07. Waiver of Appraisal Rights. The Mortgagor, for itself and all who may claim through or under it, covenants that it will not at any time insist upon or plead, or in any manner whatever claim, or take the benefit or advantage of, any appraisal, valuation, stay, extension or redemption laws now or hereafter in force in any locality where any of the Mortgaged Property may be situated and the Mortgagor, for itself and all who may claim through or under it, hereby waives the benefit of all such laws unless such waiver shall be forbidden by law.

SECTION 5.08. Waiver of Default. If at any time after an Event of Default and prior to the institution of foreclosure proceedings, all payments in respect of principal and interest which shall have become due and payable by the terms of the Notes shall be paid to the respective Noteholders, and all other defaults hereunder and under the Notes shall have been cured, together with reimbursement for any resulting expense or damage, to the satisfaction of all

the Noteholders, together with interest at the highest legal rate, then and in every such case, the Mortgagee or Mortgagees who shall have instituted any of the foregoing remedies may, by written notice to the Mortgagor, waive such default or defaults, but no such waiver shall extend to or affect any subsequent default or impair any right consequent thereon.

SECTION 5.09. Mortgagee Attorney-in-Fact for Remedies. For purposes of this Article V, to the extent permitted by applicable state law, each Noteholder appoints the Mortgagee or Mortgagees exercising any remedy as above provided as its attorney(s)-in-fact for such purpose.

SECTION 5.10. No Implied Consent to Reorganization. Nothing herein contained shall be deemed to authorize the Mortgagees to authorize or consent to or accept or adopt on behalf of any other Noteholder any plan of reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any other holder thereof, or to authorize the Mortgagees to vote in respect of the claim of any other Noteholder in any such proceeding.

SECTION 5.11. Enforcement of Rights without Possession of Notes. Any rights of action and claims under this Mortgage or the Notes may be prosecuted and enforced by the Mortgagee or Mortgagees prosecuting and enforcing the same without the possession of any of the Notes or the production thereof in any proceeding relating thereto, and, to the extent permitted by applicable state law, any such proceeding instituted by any Mortgagee shall be brought in its own name as attorney-in-fact for the Noteholders, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Mortgagees, their agents and counsel, be for the ratable benefit of the Noteholders in respect of which such judgment has been recovered.

ARTICLE VI

POSSESSION UNTIL DEFAULT - DEFEASANCE CLAUSE

SECTION 6.01. Possession until Default. Until some one or more of the Events of Default shall have happened, the Mortgagor shall be suffered and permitted to retain actual possession of the Mortgaged Property, and to manage, operate and use the same and any part thereof, with the rights and franchises appertaining thereto, and to collect, receive, take, use and enjoy the rents, revenues, issues, earnings, income, products and profits thereof or therefrom, subject to the provisions of this Mortgage.

SECTION 6.02. Defeasance. If the Mortgagor shall well and truly pay or cause to be paid the whole amount of the principal of, premium, if any, and interest on the Notes at the times and in the manner therein provided, according to the true intent and meaning thereof, and shall also pay or cause to be paid all other sums payable under the RUS Loan Agreement and CFC Loan Agreements and hereunder by the Mortgagor and shall well and truly keep and perform, according to the true intent and meaning of this Mortgage, all covenants herein required

to be kept and performed by it, then and in that case, all property, rights and interests hereby conveyed or assigned or pledged shall revert to the Mortgagor and the estate, right, title and interest of the Mortgagees and the Noteholders shall thereupon cease, determine and become void and the Mortgagees and the Noteholders, in such case, on written demand of the Mortgagor but at the Mortgagor's cost and expense, shall enter satisfaction of this Mortgage upon the record. In any event, each Noteholder, upon payment in full to him by the Mortgagor of all principal of, premium, if any, and interest on any Note held by him and the payment and discharge by the Mortgagor of all charges due to such Noteholder hereunder, shall execute and deliver to the Mortgagor such instrument of satisfaction, discharge or release as shall be required by law in the circumstances.

ARTICLE VII

MISCELLANEOUS

SECTION 7.01. Property Deemed Real Property. It is hereby declared to be the intention of each of the parties hereto that prior to the release of property from the lien of this Mortgage all electric generating plants and appurtenances thereto and all transmission and distribution lines or systems, embraced in the Mortgaged Property, including, without limitation, all rights of way and easements granted or given to the Mortgagor or obtained by it to use real property in connection with the construction, operation or maintenance of such plants, lines, or systems, and all service and connecting lines, poles, posts, crossarms, wires, cables, conduits, mains, pipes, tubes, transformers, insulators, meters, electrical connections, lamps, fuses, junction boxes and fixtures forming part of, or used in connection with, such plants, lines, or systems, and all other property physically attached to any of the foregoing-described property, shall be deemed to be real property.

SECTION 7.02. Mortgage to Bind and Benefit Successors and Assigns; CFC May Not Assign Rights without Government Consent. All of the covenants, stipulations, promises, undertakings and agreements herein contained by or on behalf of the Mortgagor shall bind its successors and assigns, whether so specified or not, and all titles, rights and remedies hereby granted to or conferred upon the Mortgagees shall, subject to the provisions of Section 7.06 hereof pass to and inure to the benefit of the successors and assigns of the Mortgagees and shall be deemed to be granted or conferred for the ratable benefit and security of all who shall from time to time be the holders of Notes executed and delivered as herein provided. The Mortgagor and each of the Mortgagees hereby agree to execute and deliver such consents, acknowledgments and other instruments as may be reasonably requested by any of the Mortgagees or any Noteholder in connection with any assignment of the rights or interests of any Mortgagee or any Noteholder hereunder or under the Notes. Notwithstanding the foregoing, no sale, assignment or transfer of any CFC Notes, and no assignment of any right or power of CFC hereunder, shall be effective as against the Government or the Mortgagor unless such sale, assignment or transfer shall have been previously approved in writing by the Government; it being understood that no such approval shall be required for or in connection with any

assignment, transfer, mortgage, hypothecation or pledge (hereinafter called a "security interest") by CFC of any of the CFC Notes hereunder in connection with a borrowing by CFC, which security interest provides that the rights and powers of CFC. Noteholders under such Notes and this Mortgage shall be exercised by the holders thereof or by CFC unless and until a default by CFC exists under the terms governing such security interest and that the restrictions herein contained shall not apply to any sale, assignment, transfer or other disposition pursuant to the terms governing such security interest and shall not apply to any such disposition by any Person other than CFC .

SECTION 7.03. Consent of the CFC Not Required for Certain Amendments to Mortgage. (a) Notwithstanding any other provisions of this Mortgage, the consent of CFC or of any holder of any of CFC Note shall not be required for any amendment, supplement, or consolidation of this Mortgage for any one or more of the following purposes:

(1) to convey, transfer and assign to the Mortgagees and to subject to the lien of this Mortgage, with the same force and effect as though included in the Granting Clause hereof, additional property;

(2) to add to the covenants of the Mortgagor further covenants, restrictions or conditions for the protection of the holders of the Notes secured hereby, and to make the occurrence, or the occurrence and continuance, of a default in any of such additional covenants, restrictions or conditions a default or an Event of Default permitting the enforcement of any or all of the several remedies provided in this Mortgage as herein set forth; provided, however, that in respect of any such additional covenant, restriction or condition such amendment may provide for a particular period of grace after default (which period may be shorter or longer than that allowed in the case of other defaults, but in no event longer than 30 days) or may provide for an immediate enforcement upon such default or may limit the remedies available to the Mortgagees upon such default; or

(3) to increase the amount of the Maximum Debt Limit.

SECTION 7.04. Determination of Amounts Unpaid and Outstanding under RUS Reimbursement Notes. With respect to any RUS Reimbursement Note which evidences an obligation of the Mortgagor to reimburse the Government for sums advanced by the Government to a third party or parties for the account of the Mortgagor, the unpaid and outstanding principal of such note shall be the aggregate of all sums advanced by the Government under such Reimbursement Note and remaining unpaid as of the time of such principal computation.

SECTION 7.05. Indemnification by Mortgagor of Mortgagees. The Mortgagor agrees to indemnify and save harmless each of the Mortgagees against any liability or damages which either of them may incur or sustain in the exercise and performance of their powers and duties hereunder. For such reimbursement and indemnity, the Mortgagees shall be secured under this Mortgage in the same manner as the Notes and all such reimbursements for expense or damages shall be paid to the Mortgagees incurring or suffering the same with interest at the rate

specified in Section 4.09 hereof. The Mortgagor's obligation to indemnify the Mortgagees under this section and under Section 4.09 shall survive the satisfaction of the Notes, the reconveyance or foreclosure of this Mortgage, the acceptance of a deed in lieu of foreclosure, or any transfer or abandonment of the Mortgaged Property.

SECTION 7.06. Government to Retain Rights as Mortgagee with respect to Insured Notes and Guaranteed Notes. At all times when any Note is held by the Government, or in the event the Government shall assign a Note without having insured the payment of such Note, this Mortgage shall secure payment of such Note for the benefit of the Government or such uninsured holder thereof, as the case may be. Whenever any Note may be sold to an insured purchaser, it shall continue to be considered a "Note" as defined herein, but as to any such insured Note the Government, and not such insured purchaser, shall be considered to be, and shall have the rights of, the Noteholder for purposes of this Mortgage. Notice of the rights of the Government under the preceding sentence shall be set forth in all such insured Notes. As to any Note which may evidence a loan or loans guaranteed pursuant to the Act, the Government, and not the guaranteed lender or lenders, shall be considered to be, and shall have the rights of, the Noteholder for purposes of this Mortgage.

SECTION 7.07. Headings. The descriptive headings of the various articles and sections of this Mortgage were formulated and inserted for convenience only and shall not be deemed to affect the meaning or construction of any of the provisions hereof.

SECTION 7.08. Notices. All demands, notices, reports, approvals, designations, or directions required or permitted to be given hereunder shall be in writing and shall be deemed to be properly given if mailed by registered mail addressed to the proper party or parties at the following addresses:

As to the Mortgagor: ARIZONA ELECTRIC POWER COOPERATIVE, INC.
P.O. Box 670
Benson, Arizona 85602,

As to the Mortgagees:

The Government:
Rural Utilities Service
United States Department of Agriculture
Room No. 0270
1400 Independence Avenue, S.W.
Washington, D.C. 20250-1568
Attention: Power Supply Division
Fax: (202) 720-1401

CFC:
NATIONAL RURAL UTILITIES COOPERATIVE
FINANCE CORPORATION
2201 Cooperative Way
Herndon, Virginia 22071-3025
Attention: General Counsel
Fax: (703) 709-6774

and as to any other person, firm, corporation or governmental body or agency having an interest herein by reason of being the holder of any Note or otherwise, at the last address designated by such person, firm, corporation, governmental body or agency to the Mortgagor and the Mortgagees. The Mortgagor or the Mortgagees may from time to time designate to each other a new address to which demands, notices, reports, approvals, designations or directions may be addressed and from and after any such designation the address designated shall be deemed to be the address of such party in lieu of the address hereinabove given.

SECTION 7.9. Severability. The invalidity of any one or more phrases, clauses, sentences, paragraphs or provisions of this Mortgage shall not affect the remaining portions hereof, nor shall any such invalidity as to one Mortgagee or as to any Noteholder hereunder affect the rights of any other Mortgagee or any other Noteholder.

SECTION 7.10. Mortgage Deemed Security Agreement. To the extent that any of the property described or referred to in this Mortgage is governed by the provisions of the Uniform Commercial Code, the Mortgagor shall be considered a "transmitting utility" and this Mortgage is hereby deemed a "security agreement" under the Uniform Commercial Code, and a "financing statement" under the Uniform Commercial Code for said security agreement. The Mortgagor herein is the "debtor" and the Mortgagee or Mortgagees herein is the "secured party" or "secured parties." The Mortgagor is the owner of the Mortgaged Property described in Section 2.02 and Appendix B hereof. The mailing addresses of the Mortgagor as debtor, and of the Mortgagees as secured parties, are as set forth in Section 7.08 hereof. The Mortgagor is an organization of the type and organized in the jurisdiction set forth on the first page hereof. The cover page hereof accurately sets forth the Mortgagor's organizational identification number or accurately states that the Mortgagor has none.

SECTION 7.11. Counterpart Execution. This Mortgage may be simultaneously executed in any number of counterparts, and all said counterparts executed and delivered, each as an original, shall constitute but one and the same instrument.

(signature pages follow)

IN WITNESS WHEREOF, **ARIZONA ELECTRIC POWER COOPERATIVE, INC.** as Mortgagor, has caused this Consolidated Mortgage, Security Agreement and Financing Agreement to be signed in its name and its corporate seal to be hereunto affixed and attested by its officers hereunto duly authorized, **UNITED STATES OF AMERICA**, as Mortgagee, has caused this Consolidated Mortgage, Security Agreement and Financing Statement to be duly executed in its behalf, and **NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION**, as Mortgagee, has caused this Consolidated Mortgage, Security Agreement and Financing Statement to be to be signed in its name and its corporate seal to be hereunto affixed and attested by its officers thereunto duly authorized, all as of the day and year first above written.

**ARIZONA ELECTRIC POWER
COOPERATIVE, INC.**

by *Reuben B. McBride*
President

PRINT NAME: REUBEN B. MCBRIDE

(Seal)

Attest: *Thomas N. Powers*
Secretary

PRINT NAME: THOMAS N. POWERS

Executed by the Mortgagor and Debtor
in the presence of:

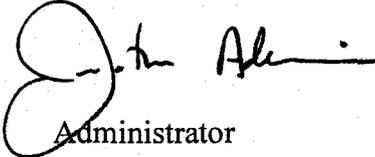
Gary E. Pierson
Witness

Gary E. Pierson
PRINT NAME:

Lynn Morcen
Witness

Lynn Morcen
PRINT NAME:

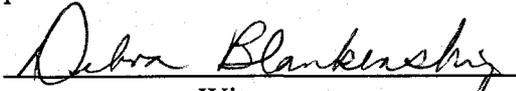
UNITED STATES OF AMERICA

by 

Administrator
of the
Rural Utilities Service

PRINT NAME: Jonathan Adelstein

Executed by United States of America,
Mortgagee and Secured Party, in the
presence of:


Witness

Debra Blankenship
PRINT NAME:


Witness

Theresa Herritz
PRINT NAME:

NATIONAL RURAL UTILITIES
COOPERATIVE FINANCE CORPORATION

(SEAL)

By: *Ann Shankroff* **ANN SHANKROFF**
Assistant Secretary-Treasurer

Attest: *Charles F. Wilson* **Charles F. Wilson**
Title: ASSISTANT SECRETARY TREASURER
Assistant Secretary - Treasurer

Executed by the Mortgagee
in the presence of: *Michael Duganich* **Michael Duganich**
Daniel Lyzinski **DANIEL LYZINSKI**
Witnesses

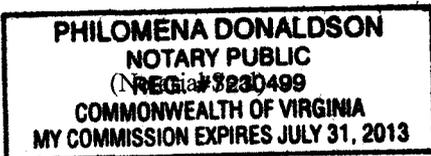
COMMONWEALTH OF VIRGINIA)
)SS
COUNTY OF FAIRFAX)

I, *Philomena Donaldson* a Notary Public in and for the Commonwealth of Virginia, County of Fairfax, do certify that **ANN SHANKROFF**, whose name is signed to the writing above, bearing date on the 28 day of October, 2009, has acknowledged the same before me in my county aforesaid.

Given under my hand this 28~~th~~ day of October, 2009.

Notary Public

Philomena Donaldson

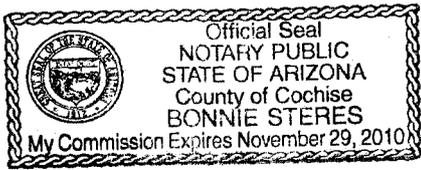


My commission expires:

STATE OF ARIZONA)
) SS
COUNTY OF Cochise)

On this 10th day of December, 2009, before me,
I, a notary public, personally appeared Reuben B. McBride,
known to me to be the President of ARIZONA ELECTRIC POWER COOPERATIVE, INC. the
Corporation that is described in and that executed the within instrument, and acknowledged to
me that such Corporation executed the same.

on page 39



Bonnie Steres
Notary Public

PRINT NAME: Bonnie Steres

(Notarial Seal)

My commission expires: 11-29-2010

DISTRICT OF COLUMBIA) SS

On this ^{17th} day of OCTOBER, 2009, personally appeared before me JONATHAN ADELSTEIN, who being duly sworn, did say that he is the Administrator of the Rural Utilities Service, an agency of the United States of America, and acknowledged to me that, acting under a delegation of authority duly given and evidenced by law and presently in effect, he executed said instrument as the act and deed of the United States of America for the uses and purposes therein mentioned.

IN TESTIMONY WHEREOF, I have heretofore set my hand and official seal the day and year last above written.

James F. Mothershed
Notary Public

PRINT NAME: JAMES F. MOTHERSHED

(Notarial Seal)

My commission expires: March 14, 2010

APPENDIX A

- A. Maximum Debt Limit: Six Hundred Million Dollars (\$600,000,000.00).
- B. "RUS Loan Agreement" (exclusive of amendments): dated as of December 16, 1961, between the Government and Mortgagor.
- C. "Current RUS Loan Agreement": Loan Contract Amendment relating to the Current RUS Guaranteed Note and the Current RUS Reimbursement Note designated as the 'R8" loan.
- D. "Current RUS Note":

a. RUS Guaranteed Note

<u>Note Designation</u>	<u>Note Date</u>	<u>Principal Amount</u>	<u>Maturity</u>	<u>Interest Rate</u> ¹
R8	03 August 2009	\$36,032,000.00	31 Dec 2034	V

b. RUS Reimbursement Note²

<u>Note Designation</u>	<u>Note Date</u>	<u>Principal Amount</u>	<u>Maturity</u>
R8	03 August 2009	Determined When Advances Made	On Demand

¹V=variable interest rate calculated by RUS pursuant to title 7 of the Code of Federal Regulations or by the Secretary of Treasury. CFC=an interest rate which may be fixed or variable from time to time as provided in the CFC Loan Agreement pertaining to a loan which has been made by CFC. Any Notes which are payable to a third party and which RUS, or its predecessor REA, has guaranteed as to payment are also described as RUS Notes herein. RUS such guaranteed RUS Notes are typically issued to the Federal Financing Bank (FFB), an instrumentality of the United States Department of Treasury, and held by RUS. In addition to the Notes issued to FFB, the Mortgagor has also issued to RUS a corresponding RUS Reimbursement Note bearing even date therewith. Such RUS Reimbursement Note is payable to the Government on demand and evidences the Mortgagor's obligation immediately to repay RUS, any payment which RUS may make pursuant to the RUS guarantee of such FFB note, together with interest, expenses and penalties (all as described in the RUS Reimbursement Note and the RUS Guaranteed Note).

²In addition to each note which the Mortgagor has issued to FFB, the Mortgagor has also issued a corresponding promissory note to RUS designated as the certain "Reimbursement Note(s)" bearing even date therewith. Such Reimbursement Note(s) is payable to the Government on demand and evidences the Mortgagor's obligation immediately to repay RUS, any payment which RUS may make pursuant to the RUS guarantee of each such FFB Note, together with interest, expenses and penalties (all as described in such Reimbursement Note). Such Reimbursement Note, issued to the Government" for purposes of this Appendix A and this Mortgage and is entitled to all of the benefits and security of this Mortgage.

E. "Contract of Guarantee", Note Purchase Commitment and Servicing Agreement, between the Federal Financing Bank and the Administrator of RUS dated as of January 1, 1992, as amended.

F. "Outstanding RUS Notes":

<u>Note Designation</u>	<u>Note Date</u>	<u>Principal Amount</u>	<u>Maturity</u>	<u>Interest Rate</u> ¹
C4	02 July 2001	\$ 2,167,830.02	26 June 2009	5%
D4	02 July 2001	\$ 3,159,245.75	01 April 2010	5%

*Agreement Amendment

Note	02 July 2001	\$130,070,251.76	31 Dec 2033
L8	01 Mar 2002	\$ 6,315,000.00	31 Dec 2020
M8	01 Oct 2003	\$ 30,000,000.00	31 Dec 2033
N8	01 Oct 2003	\$ 25,603,000.00	31 Dec 2024

**Agreement Amendment Notes":

	<u>Date</u>	<u>Amount</u>	<u>Maturity Date</u>
1. Agreement Amendment Note	31 Dec 2008	\$130,070,251.76	31 Dec 2033
2. Agreement Amendment Note	31 Dec 2008	\$130,070,251.76	31 Dec 2031
3. Agreement Amendment Note	31 Dec 2008	\$130,070,251.76	31 Dec 2030
4. Agreement Amendment Note	31 Dec 2008	\$130,070,251.76	31 Dec 2032

G. "Current CFC Class B Note":

<u>Note Designation</u>	<u>Note Date</u>	<u>Principal Amount</u>	<u>Maturity</u>
AZ028-A-9044	June 12, 2009	\$36,032,000.00	June 12, 2012

H. "CFC Loan Agreements:
dated as of May 12, 1993, March 31, 2008 and June 12, 2009.

I. "CFC Company Agreement";
dated as of September 1, 1994.

J. "CFC Class A Guaranty Agreements";
dated as of August 15, 1994.

K. "Outstanding CFC Class A Notes":

<u>Designation</u>	<u>Note Date</u>	<u>Principal Amount</u>	<u>Maturity</u>
Project Note Series 1994A Bonds	01 Sept 1994	\$31,200,000.00	01 Sept 2024
AZ028-G-9023 Guaranty Note Series 1994A Bonds	01 Sept 1994	\$31,200,000.00	On Demand

L. "Outstanding CFC Class B Notes":

<u>Designation</u>	<u>Note Date</u>	<u>Principal Amount</u>	<u>Maturity</u>
AZ028-A-9019	12 May 1993	\$ 4,817,347.00	12 May 2013
AZ028-A-9040	31 Mar. 2008	\$25,000,000.00	31 Mar. 2013

M. "RUS Mortgage":

<u>Instrument</u>	<u>Date</u>
Consolidated Mortgage and Security Agreement	June 14, 1989
Supplement to Consolidated Mortgage and Security Agreement	August, 1994
Supplement to Consolidated Mortgage and Security Agreement	September 13, 1996
Supplement to Consolidated Mortgage and Security Agreement	March 1, 2002
Supplement to Consolidated Mortgage and Security Agreement	October 1, 2003

APPENDIX B

A: **Recording Jurisdictions**

The recording jurisdictions referred to in the Granting Clause of the Original Mortgage are:

Arizona Counties

Cochise
Gila
Graham
Greenlee
La Paz
Maricopa
Mohave
Pima
Pinal
Santa Cruz
Yavapai

New Mexico Counties

McKinley

B: The other property referred to in Paragraph I of the Granting Clause includes the following:

C: The accounts, contract rights and general intangibles referred to in Paragraph IV of the Granting Clause include, but are not limited to, the following:

1. WHOLESALE POWER CONTRACTS BETWEEN THE MORTGAGOR AND MEMBER COOPERATIVES

- a. Wholesale Power Contract dated February 15, 1962, between Arizona Electric Power Cooperative, Inc. (AEPC) and Sulphur Springs Valley Electric Cooperative, Inc. (AZ14), as amended.
- b. Wholesale Power Contract dated February 15, 1962, between Arizona Electric Power Cooperative, Inc. (AEPC) and Graham County Electric Cooperative, Inc. (AZ17), as amended.
- c. Wholesale Power Contract dated February 15, 1962, between Arizona Electric Power Cooperative, Inc. (AEPC) and Trico Electric Cooperative, Inc. (AZ20), as amended.
- d. Wholesale Power Contract dated February 15, 1962, between Arizona Electric Power Cooperative, Inc. (AEPC) and Duncan Valley Electric Cooperative, Inc. (AZ23), as amended.
- e. Wholesale Power Contract dated February 15, 1962, between Arizona Electric Power Cooperative, Inc. (AEPC) and Mohave Electric Cooperative, Inc. (AZ22), as amended.
- f. Wholesale Power Contract dated February 15, 1962, between Arizona Electric Power Cooperative, Inc. (AEPC) and Anza Electric Cooperative, Inc. (CA41), as amended.

PROPERTY SCHEDULE B

ARIZONA ELECTRIC POWER COOPERATIVE, INC. (AEPCO)

- 1) All that certain tract or parcel of land, together with all improvements thereon, described in a certain deed, dated February 14, 1962, executed and delivered by Tucson Title Insurance Co., as grantor, to the Mortgagor, as grantee, and recorded on the 23rd day of February 1962, in the Office of the Clerk of Cochise County, Arizona, in Book 294, page 591.
- 2) All that certain tract or parcel of land, together with all improvements thereon, described in a certain deed, dated March 17, 1964, executed and delivered by John Jannetto and Ruth Marion Jannetto, as grantors, to the Mortgagor, as grantee, and recorded on the 26th day of March 1964 in the Office of the Clerk of Cochise County, Arizona, in Book 351, page 444.
- 3) All that certain tract or parcel of land, together with all improvements thereon, described in a certain deed, dated May 21, 1964, executed and delivered by Sulphur Springs Valley Electric Cooperative, Inc., as grantor, to the Mortgagor, as grantee, and recorded in the Office of the Clerk of Cochise County, Arizona, in Book 356, pages 471-475, excluding Parcel B (McNeal Plant Site) which was sold in 1965.
- 4) All that certain tract or parcel of land, together with all improvements thereon, described in a certain deed, dated May 3, 1976, executed and delivered by Ramey T. Allaire and Elizabeth G. Allaire, as grantors, to the Mortgagor, as grantee, and recorded on the 17th day of May 1976, in the Office of the Clerk of Cochise County, Arizona, in Book 1080, page 340.
- 5) All that certain tract or parcel of land, together with all improvements thereon, described in a certain deed, dated June 26, 1975, executed and delivered by Alex L. Megariz and Norma B. Megariz, his wife, and Mike L. Megariz and Clotilda D. Megariz, his wife, as grantor, to the Mortgagor, as grantee, and recorded on the 15th day of July 1975, in the office of the Clerk of Cochise County, Arizona, in Book 1019, pages 537-538.
- 6) All that certain tract or parcel of land, together with all improvements thereon, described in a certain deed, dated January 2, 1975, executed and delivered by Robert C. Oberreuter and Bernardine H. Oberreuter, his wife, as grantors, to the Mortgagor, as grantee, and recorded on the 3rd day of January 1975, in the Office of the Clerk of Cochise County, Arizona, in Book 980, page 138.
- 7) All that certain tract or parcel of land, together with all improvements thereon, described in a certain deed, dated January 13, 1975, executed and delivered by J. Sherrick Grantham and Robert D. Rufenacht, as grantors, to the Mortgagor, as grantee, and recorded on the 27th day of January 1975, in the office of the Clerk of Cochise County, Arizona, in Book 984, page 334.
- 8) All that certain tract or parcel of land, together with all improvements thereon, described in a certain deed, dated January 28, 1975, executed and delivered by Elvie J. Lane and Mildred B. Lane, his wife, as grantors, to the Mortgagor, as grantee, and recorded on the 19th day of February 1975 in the Office of the Clerk of Cochise County, Arizona, in Book 991, pages 138-139.

- 9) All that certain tract or parcel of land, together with all improvements thereon, described in a certain deed, dated July 19, 1976, executed and delivered by Mildred Gavin, as grantor, to the Mortgagor, as grantee, and recorded on the 22nd day of July 1976, in the Office of the Clerk of Cochise County, Arizona, in Book 1093, page 270.
- 10) All that certain tract or parcel of land, together with all improvements thereon, described in a certain deed, dated March 22, 1975, executed and delivered by Kenneth Bart Harrington and Frances K. Harrington, his wife, as grantors to the Mortgagor, as grantee, and recorded on the 1st day of April 1975, in the Office of the Clerk of Cochise County, Arizona, in Book 999, pages 392-394.
- 11) All that certain tract or parcel of land, together with all improvements thereon, described in a certain deed, dated September 22, 1976, executed and delivered by James E. Smith and Blanche O. Smith, his wife, as grantors, to the Mortgagor, as grantee, and recorded on the 24th day of September 1976, in the Office of the Clerk of Cochise County, Arizona, in Book 1106, pages 452-453.
- 12) All that certain tract or parcel of land, together with all improvements thereon, described in a certain deed, dated October 28, 1977, executed and delivered by Earl H. Moser and Linda H. Moser, his wife, as grantors to the Mortgagor, as grantee, and recorded on the 31st day of October 1977, in the office of the Clerk of Cochise County, Arizona, in Book 1192, page 560.
- 13) All that certain tract or parcel of land, together with all improvements thereon, described in a certain deed, dated October 28, 1977, executed and delivered by Robert C. Oberreuter and Bernardine H. Oberreuter, his wife, as grantee, And recorded on the 31st day of October 1977, in the Office of the Clerk of Cochise County, Arizona, in Book 1192, page 566.
- 14) All that certain tract or parcel of land, together with all improvements thereon, described in a certain deed, dated March, 22, 1975, executed and delivered by James E. Smith and Blanche O. Smith, his wife, as grantors, to the Mortgagor, as grantee, and recorded on the 2nd day of April 1975, in the Office of the Clerk of Cochise County, Arizona, in Book 999, pages 495-497.
- 15) All that certain tract or parcel of land, together with all improvements thereon, described in a certain deed, dated April 30, 1980, executed and delivered by James E. Smith and Blanche O. Smith, his wife, as grantors to the Mortgagor, as grantee, and recorded on the 2nd day of May 1980, in the Office of the Clerk of Cochise County, Arizona, in Book 1419, pages 143-144.
- 16) All that certain tract or parcel of land, together with all improvements thereon, described in a certain deed, dated March 21, 1978, executed and delivered by J. Sherrick Grantham, as his sole and separate property and Tanner A. Grantham, a single man as grantors to the Mortgagor, as grantee and recorded on the 28th day of March 1978, in the Office of the Clerk of Cochise County, Arizona, in Book 1225, pages 432-434.
- 17) All that certain tract or parcel of land, together with all improvements thereon, described in a certain deed, dated March 27, 1989, executed and delivered by the American Equity Securities, Inc. as grantor, to the Mortgagor, as grantee, and recorded in the Office of the Clerk of Cochise County, Arizona, in Docket #890306353, on March 30, 1989.

- 18) All that certain tract or parcel of land, together with all improvements thereon, described in a certain deed, dated January 24, 1990, executed and delivered by the AECO, Inc. as grantor, to the Mortgagor, as grantee, and recorded in the Office of the Clerk of Cochise County, Arizona, in Docket #900101501, on January 25, 1990.
- 19) All that certain tract or parcel of land, together with all improvements thereon, described in a certain deed, dated October 22, 1992, executed and delivered by William and Erlene Spillane as grantor, to the Mortgagor, as grantee, and recorded in the Office of the Clerk Cochise County, Arizona, in Docket #921025440, on October 23, 1992.
- 20) All that certain tract or parcel of land, together with all improvements thereon, described in a certain deed, dated November 10, 1992, executed and delivered by Gary and Myrtle Bennett as grantor, to the Mortgagor, as grantee, and recorded in the Office of the Clerk of Cochise County, Arizona, in Docket #921127051, on November 12, 1992.
- 21) All that certain tract or parcel of land, together with all improvements thereon, described in a certain deed, dated October 20, 1992, executed and delivered by Rex and Cheryl Pope as grantor, to the Mortgagor, as grantee, and recorded in the Office of the Clerk of Cochise County, Arizona, in Docket #921127995, on November 23, 1992.
- 22) All that certain tract or parcel of land, together with all improvements thereon, described in a certain deed, dated September 8, 1994, executed and delivered by Ramey and Elizabeth Allaire as grantor, to the Mortgagor, as grantee, and recorded in the Office of the Clerk of Cochise County, Arizona, in Docket #940925320, on September 14, 1994.
- 23) All that certain tract or parcel of land, together with all improvements thereon, described in a certain deed, dated August 18, 1994, executed and delivered by Ernest and Debora Tiberino as grantor, to the Mortgagor, as grantee, and recorded in the Office of the Clerk of Cochise County, Arizona, in Docket #940924405, on September 1, 1994.
- 24) All that certain tract or parcel of land, together with all improvements thereon, described in a certain deed, dated September 6, 1994, executed and delivered by Arizona State Land Department as grantor, to the Mortgagor, as grantee, and recorded in the Office of the Clerk of Cochise County, Arizona, in Docket #940926596, on September 29, 1994.
- 25) All that certain tract or parcel of land, together with all improvements thereon, described in a certain deed, dated July 7, 1993, executed and delivered by Clayton and Anna Wilson as grantor, to the Mortgagor, as grantee, and recorded in the Office of the Clerk of Cochise County, Arizona, in Docket #930717788, on July 8, 1993.
- 26) All that certain tract or parcel of land, together with all improvements thereon, described in a certain deed, dated September 1, 1993, executed and delivered by Mary Jane Walters as grantor, to the Mortgagor, as grantee, and recorded in the Office of the Clerk of Cochise County, Arizona, in Docket #930923712, on September 7, 1993.
- 27) All that certain tract or parcel of land, together with all improvements thereon, described in a certain deed, dated August 17, 1993, executed and delivered by Christina Johnston and Erna

Jane Kruse as grantor, to the Mortgagor, as grantee, and recorded in the Office of the Clerk of Cochise County, Arizona, in Docket #930822724, on August 27, 1993.

- 28) All that certain tract or parcel of land, together with all improvements thereon, described in a certain deed, dated August 2, 1993, executed and delivered by David and Elaine Hendry as grantor, to the Mortgagor, as grantee and recorded in the office of the Clerk of Cochise County, Arizona, in Docket #930820646, on August 6, 1993.
- 29) All that certain tract or parcel of land, together with all improvements thereon, described in a certain deed, dated October 10, 1993, executed and delivered by Ramey Jr. and Marilyn Allaire as grantor, to the Mortgagor, as grantee, and recorded in the Office of the Clerk of Cochise County, Arizona, in Docket #931028274, on October 18, 1993.
- 30) All that certain tract or parcel of land, together with all improvements thereon, described in a certain deed, dated September 17, 1993, executed and delivered by Richard and Carmen Allaire as grantor, to the Mortgagor, as grantee, and recorded in the office of the Clerk of Cochise County, Arizona, in Docket #931028300, on October 18, 1993.
- 31) All that certain tract or parcel of land, together with all improvements thereon, described in a certain deed, dated September 17, 1993, executed and delivered by Milton Allaire as grantor, to the Mortgagor, as grantee, and recorded in the office of the Clerk of Cochise County, Arizona, in Docket #931029200, on October 27, 1993.
- 32) All that certain tract or parcel of land, together with all improvements thereon, described in a certain deed, dated January 13, 1994, executed and delivered by Burnett Allaire as grantor, to the Mortgagor, as grantee, and recorded in the Office of the Clerk of Cochise County, Arizona, in Docket #940101476, on January 14, 1994.
- 33) All that certain tract or parcel of land, together with all improvements thereon, described in a certain deed, dated June 24, 1994, executed and delivered by Burnett Allaire and Elizabeth Allaire as grantor, to the Mortgagor, as grantee, and recorded in the Office of the Clerk of Cochise County, Arizona, in Docket #940617991, on June 27, 1994.
- 34) All that certain tract or parcel of land, together with all improvements thereon, described in a certain deed, dated February 8, 1995, executed and delivered by Craig and Roberta Rogers grantor, to the Mortgagor, as grantee, and recorded in the office of the Clerk of Cochise County, Arizona, in Docket #950203843, on February 15, 1995.
- 35) All that certain tract or parcel of land, together with all improvements thereon, described in a certain deed, dated September 10, 1997, executed and delivered by the Cochise County Treasurer as grantor, to the Mortgagor, as grantee, and recorded in the office of the Clerk of Cochise County, Arizona, in Docket #971025794, on October 6, 1997.
- 36) All that certain tract or parcel of land, together with all improvements thereon, described in a certain deed, dated April 22, 1998, executed and delivered by the Cochise County Treasurer as grantor, to the Mortgagor, as grantee, and recorded in the office of the Clerk of Cochise County, Arizona, in Docket #980515759, on May 27, 1998.

- 37) All that certain tract or parcel of land, together with all improvements thereon, described in a certain deed, dated June 17, 1998, executed and delivered by the Cochise County Treasurer as grantor, to the Mortgagor, as grantee, and recorded in the office of the Clerk of Cochise County, Arizona, in Docket #980823212, on August 4, 1998.
- 38) All that certain tract or parcel of land, together with all improvements thereon, described in a certain deed, dated January 12, 1999, executed and delivered by the Cochise County Treasurer as grantor, to the Mortgagor, as grantee, and recorded in the office of the Clerk of Cochise County, Arizona, in Docket #990102030, on January 21, 1999.
- 39) All that certain tract or parcel of land, together with all improvements thereon, described in a certain deed, dated January 21, 2003 executed and delivered by the Cochise County Treasurer as grantor, to the Mortgagor, as grantee, and recorded in the office of the Clerk of Cochise County, Arizona, in Docket #030205702, on February 19, 2003.
- 40) All that certain tract or parcel of land, together with all improvements thereon, described in a certain deed, dated April 14, 2003 executed and delivered by the Cochise County Treasurer as grantor, to the Mortgagor, as grantee, and recorded in the office of the Clerk of Cochise County, Arizona, in Docket #030414476, on April 29, 2003.
- 41) All that certain tract or parcel of land, together with all improvements thereon, described in a certain deed, dated April 14, 2003 executed and delivered by the Cochise County Treasurer as grantor, to the Mortgagor, as grantee, and recorded in the office of the Clerk of Cochise County, Arizona, in Docket #030414475, on April 29, 2003.
- 42) All that certain tract or parcel of land, together with all improvements thereon, described in a certain deed, dated April 14, 2003 executed and delivered by the Cochise County Treasurer as grantor, to the Mortgagor, as grantee, and recorded in the office of the Clerk of Cochise County, Arizona, in Docket #030414474, on April 29, 2003.
- 43) All that certain tract or parcel of land, together with all improvements thereon, described in a certain deed, dated April 14, 2003 executed and delivered by the Cochise County Treasurer as grantor, to the Mortgagor, as grantee, and recorded in the office of the Clerk of Cochise County, Arizona, in Docket #030414473, on April 29, 2003.
- 44) All that certain tract or parcel of land, together with all improvements thereon, described in a certain deed, dated April 14, 2003 executed and delivered by the Cochise County Treasurer as grantor, to the Mortgagor, as grantee, and recorded in the office of the Clerk of Cochise County, Arizona, in Docket #030414477, on April 29, 2003.
- 45) All that certain tract or parcel of land, together with all improvements thereon, described in a certain deed, dated April 14, 2003 executed and delivered by the Cochise County Treasurer as grantor, to the Mortgagor, as grantee, and recorded in the office of the Clerk of Cochise County, Arizona, in Docket #030414478, on April 29, 2003.
- 46) All that certain tract or parcel of land, together with all improvements thereon, described in a certain deed, dated April 14, 2003 executed and delivered by Stamford as grantor, to the

Mortgagor, as grantee, and recorded in the office of the Clerk of Cochise County, Arizona, in Docket #030413070, on April 17, 2003.

- 47) All that certain tract or parcel of land, together with all improvements thereon, described in a certain deed, dated May 12, 2003 executed and delivered by Frint as grantor, to the Mortgagor, as grantee, and recorded in the office of the Clerk of Cochise County, Arizona, in Docket #030516545, on May 14, 2003.
- 48) All that certain tract or parcel of land, together with all improvements thereon, described in a certain deed, dated May 27, 2003 executed and delivered by Jones as grantor, to the Mortgagor, as grantee, and recorded in the office of the Clerk of Cochise County, Arizona, in Docket #030619811, on June 9, 2003.
- 49) All that certain tract or parcel of land, together with all improvements thereon, described in a certain deed, dated April 28, 2003 executed and delivered by King as grantor, to the Mortgagor, as grantee, and recorded in the office of the Clerk of Cochise County, Arizona, in Docket #030514916, on May 1, 2003.
- 50) All that certain tract or parcel of land, together with all improvements thereon, described in a certain deed, dated May 20, 2003 executed and delivered by Vanovacan as grantor, to the Mortgagor, as grantee, and recorded in the office of the Clerk of Cochise County, Arizona, in Docket #030620219, on June 11, 2003.
- 51) All that certain tract or parcel of land, together with all improvements thereon, described in a certain deed, dated August 6, 2003 executed and delivered by Monsko as grantor, to the Mortgagor, as grantee, and recorded in the office of the Clerk of Cochise County, Arizona, in Docket #030829773, on August 21, 2003.
- 52) All that certain tract or parcel of land, together with all improvements thereon, described in a certain deed, dated September 23, 2003 executed and delivered by Tumino as grantor, to the Mortgagor, as grantee, and recorded in the office of the Clerk of Cochise County, Arizona, in Docket #030934500, on September 24, 2003.
- 53) All that certain tract or parcel of land, together with all improvements thereon, described in a certain deed, dated May 30, 2003 executed and delivered by Dinsmore as grantor, to the Mortgagor, as grantee, and recorded in the office of the Clerk of Cochise County, Arizona, in Docket #030620217, on June 11, 2003.
- 54) All that certain tract or parcel of land, together with all improvements thereon, described in a certain deed, dated April 28, 2003 executed and delivered by Bloedel as grantor, to the Mortgagor, as grantee, and recorded in the office of the Clerk of Cochise County, Arizona, in Docket #030414676, on April 30, 2003.
- 55) All that certain tract or parcel of land, together with all improvements thereon, described in a certain deed, dated August 1, 2003 executed and delivered by Palmer as grantor, to the Mortgagor, as grantee, and recorded in the office of the Clerk of Cochise County, Arizona, in Docket #031037116, on October 14, 2003.

- 56) All that certain tract or parcel of land, together with all improvements thereon, described in a certain deed, dated July 29, 2003 executed and delivered by San Juan as grantor, to the Mortgagor, as grantee, and recorded in the office of the Clerk of Cochise County, Arizona, in Docket #030827987, on August 8, 2003.
- 57) All that certain tract or parcel of land, together with all improvements thereon, described in a certain deed, dated August 6, 2003 executed and delivered by Demee as grantor, to the Mortgagor, as grantee, and recorded in the office of the Clerk of Cochise County, Arizona, in Docket #030932751, on September 11, 2003.
- 58) All that certain tract or parcel of land, together with all improvements thereon, described in a certain deed, dated May 27, 2003 executed and delivered by Kimmel as grantor, to the Mortgagor, as grantee, and recorded in the office of the Clerk of Cochise County, Arizona, in Docket #030622117, on June 25, 2003.
- 59) All that certain tract or parcel of land, together with all improvements thereon, described in a certain deed, dated April 7, 2003 executed and delivered by Good as grantor, to the Mortgagor, as grantee, and recorded in the office of the Clerk of Cochise County, Arizona, in Docket #030517233, on May 20, 2003.
- 60) All that certain tract or parcel of land, together with all improvements thereon, described in a certain deed, dated October 6, 2003 executed and delivered by Fisher as grantor, to the Mortgagor, as grantee, and recorded in the office of the Clerk of Cochise County, Arizona, in Docket #031038095, on October 21, 2003.
- 61) All that certain tract or parcel of land, together with all improvements thereon, described in a certain deed, dated May 13, 2003 executed and delivered by Grimshaw as grantor, to the Mortgagor, as grantee, and recorded in the office of the Clerk of Cochise County, Arizona, in Docket #030622781, on June 30, 2003.
- 62) All that certain tract or parcel of land, together with all improvements thereon, described in a certain deed, dated October 10, 2003 executed and delivered by Shilling as grantor, to the Mortgagor, as grantee, and recorded in the office of the Clerk of Cochise County, Arizona, in Docket #031038515, on October 24, 2003.
- 63) All that certain tract or parcel of land, together with all improvements thereon, described in a certain deed, dated December 12, 2003 executed and delivered by Cochise County Treasurer as grantor, to the Mortgagor, as grantee, and recorded in the office of the Clerk of Cochise County, Arizona, in Docket #031245968, on December 29, 2003.
- 64) All that certain tract or parcel of land, together with all improvements thereon, described in a certain deed, dated December 12, 2003 executed and delivered by Cochise County Treasurer as grantor, to the Mortgagor, as grantee, and recorded in the office of the Clerk of Cochise County, Arizona, in Docket #031245967, on December 29, 2003.
- 65) All that certain tract or parcel of land, together with all improvements thereon, described in a certain deed, dated October 23, 2003 executed and delivered by Luepke as grantor, to the

Mortgagor, as grantee, and recorded in the office of the Clerk of Cochise County, Arizona, in Docket #040100704, on January 7, 2004.

- 66) All that certain tract or parcel of land, together with all improvements thereon, described in a certain deed, dated February 11, 2004 executed and delivered by Appreciating Assets, Inc. as grantor, to the Mortgagor, as grantee, and recorded in the office of the Clerk of Cochise County, Arizona, in Docket #040206240, on February 27, 2004.
- 67) All that certain tract or parcel of land, together with all improvements thereon, described in a certain deed, dated August 6, 2004 executed and delivered by Matson as grantor, to the Mortgagor, as grantee, and recorded in the office of the Clerk of Cochise County, Arizona, in Docket #040826843, on August 19, 2004.
- 68) All that certain tract or parcel of land, together with all improvements thereon, described in a certain deed, dated March 26, 2004 executed and delivered by Pioneer Title Agency, Inc., as Trustee under Trust No. 00953330, as grantor, to the Mortgagor, as grantee, and recorded in the office of the Clerk of Cochise County, Arizona, in Docket #040309904, on March 31, 2004.
- 69) All that certain tract or parcel of land, together with all improvements thereon, described in a certain deed, dated August 23, 2005 executed and delivered by Cochise County Treasurer as grantor, to the Mortgagor, as grantee, and recorded in the office of the Clerk of Cochise County, Arizona, in Docket #050832494, on August 30, 2005.
- 70) All that certain tract or parcel of land, together with all improvements thereon, described in a certain deed, dated August 7, 2006 executed and delivered by Cochise County Treasurer as grantor, to the Mortgagor, as grantee, and recorded in the office of the Clerk of Cochise County, Arizona, in Docket #060829788, on August 8, 2006.
- 71) All that certain tract or parcel of land, together with all improvements thereon, described in a certain deed, dated December 23, 2008 executed and delivered by Noel and Anna Curry as grantor, to the Mortgagor, as grantee, and recorded in the office of the Clerk of Cochise County, Arizona, in Docket #2008-32789, on December 24, 2008.
- 72) All that certain tract or parcel of land, together with all improvements thereon, described in a certain deed, dated August 18, 2009 executed and delivered by Cochise County Treasurer as grantor, to the Mortgagor, as grantee, and recorded in the office of the Clerk of Cochise County, Arizona, in Docket #2009-20401, on August 19, 2009.

FOR FFB USE ONLY:

Note Identifier: _____

Purchase Date: _____

FOR RUS USE ONLY:

RUS
Note
Number: _____

Last Day
for an
Advance (¶3) September 30, 2014

Maximum
Principal
Amount (¶4) \$36,032,000.00

Final
Maturity
Date (¶5) December 31, 2034

First Principal
Payment
Date (¶8) March 31, 2011

Security
Instrument
(¶24) Consolidated Mortgage,
Security Agreement and
Financing Statement,
dated August 3, 2009,
made by and among
Arizona Electric Power
Cooperative, Inc.,
United States of
America and National
Rural Utilities
Cooperative Finance
Corporation
(Arizona 28-R8 Apache)

Note
Date August 3, 2009

Place
of
Issue Benson,
Arizona

FUTURE ADVANCE PROMISSORY NOTE

1. Promise to Pay.

FOR VALUE RECEIVED,

ARIZONA ELECTRIC POWER COOPERATIVE, INC.

(the "Borrower," which term includes any successors or assigns) promises to pay the **FEDERAL FINANCING BANK** ("FFB," which term includes any successors or assigns) at the times, in the manner, and with interest at the rates to be established as hereinafter

provided, such amounts as may be advanced from time to time by FFB to the Borrower under this Note (each such amount being an "Advance", and more than one such amount being "Advances").

2. Reference to Note Purchase Commitment and Servicing Agreement; RUS as Successor to REA.

This Note is entitled to the benefits of, and is subject to the requirements of, the Note Purchase Commitment and Servicing Agreement dated as of January 1, 1992, between FFB and the Administrator of the Rural Electrification Administration ("REA"), as amended (such agreement, as it has heretofore been, and as it may hereafter be, amended, supplemented, or restated from time to time in accordance with its terms, being the "Agreement"). The Administrator of the Rural Utilities Service ("RUS") is the successor to the Administrator of REA pursuant to Public Law No. 103-354, 108 Stat. 3209 (1994), and Secretary of Agriculture Memorandum 1010-1 dated October 20, 1994.

3. Advances; Advance Requests; RUS Approval Requirement; Last Day for an Advance.

(a) FFB shall make Advances to the Borrower from time to time under this Note, in each case upon the written request by the Borrower for an Advance under this Note, in the form of request attached to this Note as Annex A (each such request being an "Advance Request"), making reference to the particular "Note Identifier" (as that term is defined in the Agreement) that FFB assigns to this Note (as provided in the Agreement) and specifying:

(1) the particular amount of funds that the Borrower requests to be advanced (such amount being the "Requested Advance Amount" for the respective Advance);

(2) the particular calendar date that the Borrower requests to be the date on which the respective Advance is to be made (such date being the "Requested Advance Date" for such Advance), which date must be a Business Day;

(3) the particular bank account to which the Borrower requests that the respective Advance be made;

(4) the particular calendar date that the Borrower selects to be the date on which the respective Advance is to mature (such date being the "Maturity Date" for such Advance), which date must meet the criteria for Maturity Dates prescribed in paragraph 5 of this Note;

(5) with respect to each Advance for which the Borrower selects a Maturity Date that will occur on or after the particular date specified on page 1 of this Note as being the "First Principal Payment Date," the particular method for the repayment of principal that the Borrower selects for the respective Advance from among the options described in subparagraph (b) of paragraph 8 of this Note; and

(6) with respect to each Advance for which the Borrower selects a Maturity Date that will occur on or after the fifth anniversary of the Requested Advance Date specified in the respective Advance Request, the particular prepayment/refinancing privilege that the Borrower elects for such Advance from between the options described in subparagraphs (b) and (c) of paragraph 16 of this Note.

(b) To be effective, an Advance Request must first be delivered to RUS for approval and be approved by RUS in writing, and such Advance Request, together with written notification of RUS's approval thereof, must be received by FFB on or before the third Business Day before the Requested Advance Date specified in such Advance Request.

(c) FFB shall make each requested Advance on the Requested Advance Date specified in the respective Advance Request, subject to the provisions of the Agreement describing certain circumstances under which a requested Advance shall be made on a later date; provided, however, that no Advance shall be made under this Note after the particular date specified on page 1 of this Note as being the "Last Day for an Advance."

(d) FFB shall make each requested Advance by electronic funds transfer to the particular bank account specified in the respective Advance Request.

(e) The Borrower hereby agrees that each Advance made by FFB in accordance with an RUS-approved Advance Request delivered to FFB shall reduce, by the amount of the respective Advance made, FFB's remaining commitment to make Advances under this Note.

4. Principal Amount of Advances; Maximum Principal Amount.

The principal amount of each Advance shall be the Requested Advance Amount specified in the respective Advance Request; provided, however, that the aggregate principal amount of all Advances made under this Note shall not exceed the particular amount specified on page 1 of this Note as being the "Maximum Principal Amount."

5. Maturity Dates for Advances.

Each Advance shall mature on the Maturity Date specified in the respective Advance Request, provided that such Maturity Date meets the following criteria:

(a) the Maturity Date for the respective Advance must be a "Payment Date" (as that term is defined in paragraph 7 of this Note);

(b) the Maturity Date for the respective Advance may not be a date that will occur after the particular date specified on page 1 of this Note as being the "Final Maturity Date" (such date being the "Final Maturity Date"); and

(c) the period of time between the Requested Advance Date for the respective Advance and the Maturity Date for such Advance may not be less than one complete calendar quarter.

6. Computation of Interest on Advances.

(a) Subject to paragraphs 11 and 17 of this Note, interest on the outstanding principal of each Advance shall accrue from the date on which the respective Advance is made to the date on which such principal is due.

(b) Interest on each Advance shall be computed on the basis of (1) actual days elapsed from (but not including) the date on which the respective Advance is made (for the first payment of interest due under this Note for such Advance) or the date on which the payment of interest was last due (for all other payments of interest due under this Note for such Advance), to (and including) the date on which the payment of interest is next due; and (2) a year of 365 days (except in calendar years including February 29, when the basis shall be a 366-day year).

(c) The basic interest rate for each Advance shall be established by FFB, as of the date on which the respective Advance is made, on the basis of the determination made by the Secretary of the Treasury pursuant to section 6(b) of the Federal Financing Bank Act of 1973, as amended (codified at 12 U.S.C. § 2281 et seq.) (the "FFB Act"); provided, however, that the shortest maturity used as the basis for any rate determination shall be the remaining maturity of the most recently auctioned United States Treasury bills having the shortest maturity of all United States Treasury bills then being regularly auctioned.

(d) In the event that (1) the Borrower has selected for any Advance a Maturity Date that will occur on or after the fifth anniversary of the Requested Advance Date for such Advance, and (2) the Borrower has elected for such Advance a prepayment/refinancing privilege described in subparagraph (c) of paragraph 16 of this Note, then the interest rate for such Advance shall also include a price (expressed in terms of a basis point increment to the applicable basic interest rate) for the particular prepayment/refinancing privilege that the Borrower selected, which price shall be established by FFB on the basis of a determination made by FFB as to the difference between (A) the estimated market yield of a notional obligation if such obligation were to (i) be issued by the Secretary of the Treasury, (ii) have a maturity comparable to the maturity of such Advance, and (iii) include prepayment and refinancing privileges identical to the particular prepayment/refinancing privilege that the Borrower elected for such Advance, and (B) the estimated market yield of a notional obligation if such obligation were to (i) be issued by the Secretary of the Treasury, (ii) have a maturity comparable to the maturity of such Advance, but (iii) not include such prepayment and refinancing privileges.

7. Payment of Interest; Payment Dates.

Interest accrued on the outstanding principal amount of each Advance shall be due and payable quarterly on the last day of each calendar quarter (each such day being a "Payment Date"), beginning (except as provided below) on the first Payment Date to occur after the date on which the respective Advance is made, up through and including the Maturity Date of such Advance; provided, however, that with respect to each Advance that is made in the last month of any calendar quarter, payments of accrued interest on the outstanding principal amount of the respective Advance shall be due beginning on the second Payment Date to occur after the date on which such Advance is made.

8. Repayment of Principal; Principal Repayment Options.

(a) The principal amount of each Advance shall be payable in quarterly installments, which installments shall be due beginning on the particular date specified on page 1 of this Note as being the "First Principal Payment Date" (such date being the "First Principal Payment Date"), and shall be due on each Payment Date to occur thereafter until the principal amount of the respective Advance is repaid in full on or before the Final Maturity Date; provided, however, that with respect to each Advance that is made after the First Principal Payment Date, principal installments shall be due beginning on the second Payment Date to occur after

the date on which the respective Advance is made; and provided, further, however, that for so long as the Borrower has not selected a method for the repayment of principal for any of the Advances made under this Note from among the options described in subparagraph (b) of this paragraph 8, the First Principal Payment Date of this Note may be deferred by the mutual agreement of the Borrower, RUS, and FFB, provided that a written amendment to this Note reciting the new and later First Principal Payment Date shall have been executed by the Borrower, approved by RUS, and received by FFB on or before the third Business Day before the First Principal Payment Date that is in effect immediately before such deferral.

(b) At the time that the Borrower first selects for any Advance a Maturity Date that will occur on or after the First Principal Payment Date, the Borrower must also select, subject to RUS approval, a method for the repayment of principal of such Advance (each such Advance being an "Amortizing Advance") from among the following options:

(1) "equal principal installments" -- the amount of each quarterly principal installment shall be substantially equal to the amount of every other quarterly principal installment and shall be sufficient, when added to all other such quarterly installments of equal principal, to repay the principal amount of such Amortizing Advance in full on the Final Maturity Date (notwithstanding the fact that the Borrower may have selected a Maturity Date for such Amortizing Advance that will occur before the Final Maturity Date);

(2) "graduated principal installments" -- the amount of each of the first one-third (or nearest number of payments that rounds to one-third) of the total number of quarterly principal installments shall be substantially equal to one-half of the amount of each of the remaining quarterly principal installments, and shall be sufficient, when added to all other such quarterly installments of graduated principal, to repay the principal amount of such Amortizing Advance in full on the Final Maturity Date (notwithstanding the fact that the Borrower may have selected a Maturity Date for such Amortizing Advance that will occur before the Final Maturity Date); or

(3) "level debt service" -- the amount of each quarterly payment consisting of a principal installment and accrued interest shall be substantially equal to the amount of every other quarterly payment consisting of a principal

installment and accrued interest, and shall be sufficient, when added to all other such level quarterly payments consisting of a principal installment and accrued interest, to repay the principal amount of such Amortizing Advance in full on the Final Maturity Date (notwithstanding the fact that the Borrower may have selected a Maturity Date for such Amortizing Advance that will occur before the Final Maturity Date).

(c) For each Amortizing Advance, the amount of principal that shall be due and payable on each of the dates specified in subparagraph (a) of this paragraph 8 shall be the amount of the principal installment due under a principal repayment schedule for the respective Amortizing Advance that is computed in accordance with the principles of the particular method for the repayment of principal that is selected by the Borrower for such Amortizing Advance from among the options described in subparagraph (b) of this paragraph 8. Except at the times described in the immediately following sentence, the method for the repayment of principal that is selected by the Borrower for any Amortizing Advance, and the resulting principal repayment schedule that is so computed for such Amortizing Advance, may not be changed. Notwithstanding the foregoing, with respect to each Amortizing Advance for which the Borrower has selected a Maturity Date that will occur before the Final Maturity Date, the Borrower may change the particular method for the repayment of principal that was selected by the Borrower for the respective Amortizing Advance from either the "equal principal installments" method or the "graduated principal installments" method to the "level debt service" method at the time (if ever) that the Borrower elects to extend the maturity of such Amortizing Advance (as provided in paragraph 15 of this Note), effective as of the effective date of such maturity extension, or at the time (if ever) that the Borrower elects to refinance the outstanding principal amount of such Amortizing Advance (as provided in paragraph 18 of this Note), effective as of the effective date of such refinancing, and the principal repayment schedule for such Amortizing Advance shall thereupon be newly computed in accordance with the "level debt service" method for the repayment of principal. After the Borrower has selected the Final Maturity Date as the Maturity Date for any Amortizing Advance, the Borrower may so change the particular method for the repayment of principal of any Amortizing Advance, and the principal repayment schedule for such Amortizing Advance shall be so newly computed, only at the time (if ever) that the Borrower elects to refinance the outstanding principal amount of such Amortizing Advance (as provided in paragraph 18 of this Note), effective as of the effective date of such refinancing.

(d) With respect to each Advance that has a Maturity Date that will occur before the Final Maturity Date, the entire unpaid principal amount of the respective Advance shall be payable on such Maturity Date, subject to extensions of the maturity of such Advance (as provided in paragraph 15 of this Note).

(e) Notwithstanding which of the methods for the repayment of principal described in subparagraph (b) of this paragraph 8 is selected by the Borrower for any Amortizing Advance, the aggregate of all quarterly payments of principal and interest on such Amortizing Advance shall be such as will repay the entire principal amount of such Amortizing Advance, and pay all interest accrued thereon, on or before the Final Maturity Date.

9. Fee.

A fee to cover expenses and contingencies, assessed by FFB pursuant to section 6(c) of the FFB Act, shall accrue on the outstanding principal amount of each Advance from the date on which the respective Advance is made to the date on which the principal amount of such Advance is due. The fee on each Advance shall be equal to one-eighth of one percent (0.125%) per annum of the unpaid principal balance of such Advance. The fee on each Advance shall be computed in the same manner as accrued interest is computed under paragraph 6(b) of this Note, and shall be due and payable at the same times as accrued interest is due and payable under paragraph 7 of this Note (adjusted as provided in paragraph 10 of this Note if a Payment Date is not a Business Day). The fee on each Advance shall be credited to RUS as required by section 505(c) of the Federal Credit Reform Act of 1990, as amended (codified at 2 U.S.C. § 661d(c)).

10. Business Days.

(a) Whenever any Payment Date, the Maturity Date for any Advance, or the Final Maturity Date shall fall on a day on which either FFB or the Federal Reserve Bank of New York is not open for business, the payment that would otherwise be due on such Payment Date, Maturity Date, or Final Payment Date, as the case may be, shall be due on the first day thereafter on which FFB and the Federal Reserve Bank of New York are both open for business (any such day being a "Business Day").

(b) In the event that any Payment Date falls on a day other than a Business Day, then the extension of time for making the payment that would otherwise be due on such Payment Date shall be (1) taken into account in establishing the interest rate for the respective Advance, (2) included in computing interest due in

connection with such payment, and (3) excluded in computing interest due in connection with the next payment.

(c) In the event that the Maturity Date for any Advance or the Final Maturity Date falls on a day other than a Business Day, then the extension of time for making the payment that would otherwise be due on such Maturity Date or the Final Maturity, as the case may be, shall be (1) taken into account in establishing the interest rate for such Advance, and (2) included in computing interest due in connection with such payment.

11. Late Payments.

(a) In the event that any payment of any amount owing under this Note is not made when and as due (any such amount being then an "Overdue Amount"), then the amount payable shall be such Overdue Amount plus interest thereon (such interest being the "Late Charge") computed in accordance with this subparagraph (a).

(1) The Late Charge shall accrue from the scheduled date of payment for the Overdue Amount (taking into account paragraph 10 of this Note) to the date on which payment is made.

(2) The Late Charge shall be computed on the basis of (A) actual days elapsed from (but not including) the scheduled date of payment for such Overdue Amount (taking into account paragraph 10 of this Note) to (and including) the date on which payment is made, and (B) a year of 365 days (except in calendar years including February 29, when the basis shall be a 366-day year).

(3) The Late Charge shall accrue at a rate (the "Late Charge Rate") equal to one and one-half times the rate to be determined by the Secretary of the Treasury taking into consideration the prevailing market yield on the remaining maturity of the most recently auctioned 13-week United States Treasury bills.

(4) The initial Late Charge Rate shall be in effect until the earlier to occur of either (A) the date on which payment of the Overdue Amount and the amount of the accrued Late Charge is made, or (B) the first Payment Date to occur after the scheduled date of payment for such Overdue Amount. In the event that the Overdue Amount and the amount of the accrued Late Charge are not paid on or before the such Payment Date, then the amount payable shall be the sum of the Overdue Amount and the amount of the accrued Late

Charge, plus a Late Charge on such sum accruing at a new Late Charge Rate to be then determined in accordance with the principles of clause (3) of this subparagraph (a). For so long as any Overdue Amount remains unpaid, the Late Charge Rate shall be redetermined in accordance with the principles of clause (3) of this subparagraph (a) on each Payment Date to occur thereafter, and shall be applied to the Overdue Amount and all amounts of the accrued Late Charge to the date on which payment of the Overdue Amount and all amounts of the accrued Late Charge is made.

(b) Nothing in subparagraph (a) of this paragraph 11 shall be construed as permitting or implying that the Borrower may, without the written consent of FFB, modify, extend, alter or affect in any manner whatsoever (except as explicitly provided herein) the right of FFB to receive any and all payments on account of this Note on the dates specified in this Note.

12. Final Due Date.

Notwithstanding anything in this Note to the contrary, all amounts outstanding under this Note remaining unpaid as of the Final Maturity Date shall be due and payable on the Final Maturity Date.

13. Manner of Making Payments.

(a) For so long as FFB is the holder of this Note and RUS is the loan servicing agent for FFB (as provided in the Agreement), each payment under this Note shall be made in immediately available funds by electronic funds transfer to the account specified from time to time by RUS, as loan servicing agent for FFB, in a written notice delivered by RUS to the Borrower.

(b) In the event that FFB is the holder of this Note but RUS is not the loan servicing agent for FFB, then each payment under this Note shall be made in immediately available funds by electronic funds transfer to the account specified from time to time by FFB in a written notice delivered by FFB to the Borrower.

(c) In the event that FFB is not the holder of this Note, then each payment under this Note shall be made in the manner and to the account specified from time to time by the holder in a written notice delivered by the holder to the Borrower.

14. Application of Payments.

Each payment made on this Note shall be applied, first, to the payment of Late Charges (if any) payable under paragraphs 11 and 19 of this Note, then to the payment of premiums (if any) payable under paragraphs 17 and 18 of this Note, then to the payment of unpaid accrued interest, then on account of outstanding principal, and then to the payment of the fee payable under paragraph 9 of this Note.

15. Maturity Extensions.

(a) With respect to each Advance for which the Borrower has selected a Maturity Date that will occur before the Final Maturity Date (each such Maturity Date being an "Interim Maturity Date"), the Borrower may, effective as of such Interim Maturity Date, elect to extend the maturity of all or any portion of the outstanding principal amount of the respective Advance (subject to subparagraph (c) of this paragraph 15) to a new Maturity Date to be selected by the Borrower in the manner and subject to the limitations specified in this subparagraph (a) (each such election being a "Maturity Extension Election"; each such elective extension of the maturity of any Advance that has an Interim Maturity Date being a "Maturity Extension"; and the Interim Maturity Date that is in effect for an Advance immediately before any such elective Maturity Extension being, from and after such Maturity Extension, the "Maturity Extension Effective Date").

(1) Except under the circumstances described in clause (3) of this subparagraph (a), the Borrower shall deliver to FFB (with a copy to RUS) written notification of each Maturity Extension Election, in the form of notification attached to this Note as Annex B-1 (each such notification being a "Maturity Extension Election Notice"), making reference to the "Advance Identifier" (as that term is defined in the Agreement) that FFB assigned to such Advance (as provided in the Agreement) and specifying, among other things, the following:

(A) the amount of the outstanding principal of the such Advance with respect to which the Borrower elects to extend the maturity (subject to subparagraph (c) of this paragraph 15); and

(B) the new Maturity Date that the Borrower selects to be in effect for such principal amount after the respective Maturity Extension Effective Date, which date:

(i) may be either a new Interim Maturity Date or the Final Maturity Date; and

(ii) in the event that the Borrower selects a new Interim Maturity Date as the new Maturity Date for any Advance, must meet the criteria for Maturity Dates prescribed in paragraph 5 of this Note (provided, however, that, for purposes of selecting a new Maturity Date in connection with a Maturity Extension Election, the reference to "the Requested Advance Date for the respective Advance" in subparagraph (c) of paragraph 5 of this Note shall be deemed to be a reference to "the respective Maturity Extension Effective Date").

(2) To be effective, a Maturity Extension Election Notice must be received by FFB on or before the third Business Day before the Interim Maturity Date in effect for the respective Advance immediately before such Maturity Extension.

(3) In the event that either of the circumstances described in subclause (A) or (B) of the next sentence occurs, then a Maturity Extension Election Notice (in the form of notice attached to this Note as Annex B-2), to be effective, must first be delivered to RUS for approval and be approved by RUS in writing, and such Maturity Extension Election Notice, together with written notification of RUS's approval thereof, must be received by FFB on or before the third Business Day before the Interim Maturity Date in effect for the respective Advance immediately before such Maturity Extension. RUS approval of a Maturity Extension Election Notice will be required under either of the following circumstances:

(A) (i) any payment of any amount owing under this Note is not made by the Borrower when and as due, (ii) payment is made by RUS in accordance with the guarantee set forth at the end of this Note, and (iii) RUS delivers notice to both the Borrower and FFB advising each of them that each Maturity Extension Election Notice delivered by the Borrower after the date of such notice shall require the approval of RUS; or

(B) FFB at any time delivers notice to both the Borrower and RUS advising each of them that each Maturity Extension Election Notice delivered by the

Borrower after the date of such notice shall require the approval of RUS.

(b) With respect to any Advance that has an Interim Maturity Date, in the event that FFB does not receive a Maturity Extension Election Notice (and, if required under clause (3) of subparagraph (a) of this paragraph 15, written notification of RUS's approval thereof) on or before the third Business Day before such Interim Maturity Date, then the maturity of such Advance shall be extended automatically in the manner and subject to the limitations specified in this subparagraph (b) (each such automatic extension of the maturity of any Advance that has an Interim Maturity Date also being a "Maturity Extension"; and the Interim Maturity Date that is in effect for an Advance immediately before any such automatic Maturity Extension also being, from and after such Maturity Extension, the "Maturity Extension Effective Date").

(1) The new Maturity Date for such Advance shall be the immediately following quarterly Payment Date.

(2) If the Interim Maturity Date that is in effect for such Advance immediately before such automatic Maturity Extension is:

(A) a Payment Date that occurs before the First Principal Payment Date (i.e., such Advance is not an Amortizing Advance), then the amount of principal that will have its maturity extended automatically shall be the entire outstanding principal amount of such Advance;

(B) the Payment Date that immediately precedes the First Principal Payment Date, then the method for the repayment of principal that shall apply to such Advance from and after the respective Maturity Extension Effective Date shall be the "level debt service" method; and

(C) either the First Principal Payment Date or a Payment Date that occurs after the First Principal Payment Date (i.e., such Advance is an Amortizing Advance), then:

(i) the amount of principal that will have its maturity extended automatically shall be the outstanding principal amount of such Advance less the principal installment that is due on the

respective Maturity Extension Effective Date (as provided in subparagraph (c) of this paragraph 15; and

(ii) the method for the repayment of principal that shall apply to such Advance from and after the respective Maturity Extension Effective Date shall be the same method that applied to such Advance immediately before such Maturity Extension Effective Date.

(c) In the event that the maturity of any Amortizing Advance that has an Interim Maturity Date is extended under either subparagraph (a) or (b) of this paragraph 15, then the principal installment that is due on the respective Maturity Extension Effective Date, in accordance with the principal repayment schedule that applied to such Amortizing Advance immediately before such Maturity Extension Effective Date, shall nevertheless be due and payable on such Maturity Extension Effective Date notwithstanding such Maturity Extension.

(d) In the event that the maturity of any Advance that has an Interim Maturity Date is extended under either subparagraph (a) or (b) of this paragraph 15, then the basic interest rate for such Advance, from and after the respective Maturity Extension Effective Date, shall be the particular rate that is established by FFB, as of such Maturity Extension Effective Date, in accordance with the principles of subparagraph (c) of paragraph 6 of this Note.

(e) In the event that (1) the maturity of any Advance that has an Interim Maturity Date is extended under either subparagraph (a) or (b) of this paragraph 15, and (2) the Maturity Date for such extended Advance is a date that will occur before the fifth anniversary of the respective Maturity Extension Effective Date, then the prepayment/refinancing privilege described in subparagraph (b) of paragraph 16 of this Note shall apply automatically to such Advance.

(f) In the event that (1) the Borrower makes a Maturity Extension Election with respect to any Advance that has an Interim Maturity Date, and (2) the Borrower selects as the Maturity Date for such extended Advance a new Maturity Date that will occur on or after the fifth anniversary of the respective Maturity Extension Effective Date, then the Borrower must elect a prepayment/refinancing privilege for such extended Advance from between the options described in subparagraphs (b) and (c) of paragraph 16 of this Note (provided, however, that each of the

references to "the Requested Advance Date for such Advance" in subparagraph (c) of paragraph 16 of this Note shall be deemed to be a reference to "the respective Maturity Extension Effective Date"). The Maturity Extension Election Notice delivered by the Borrower in connection with each such Maturity Extension Election must also specify the particular prepayment/refinancing privilege that the Borrower elects for the respective extended Advance. In the event that the Borrower elects for any such extended Advance a prepayment/refinancing privilege described in subparagraph (c) of paragraph 16 of this Note, then the interest rate for such extended Advance, from and after the respective Maturity Extension Effective Date, shall include a price (expressed in terms of a basis point increment to the applicable basic interest rate) for the particular prepayment/refinancing privilege that the Borrower elects, which price shall be established by FFB, as of such Maturity Extension Effective Date, in accordance with the principles of subparagraph (d) of paragraph 6 of this Note.

(g) In the event that the maturity of any Amortizing Advance that has an Interim Maturity Date is extended under either subparagraph (a) or (b) of this paragraph 15, then the outstanding principal amount of such Amortizing Advance, after the respective Maturity Extension Effective Date, shall be due and payable in accordance with this subparagraph (g).

(1) With respect to each Amortizing Advance to which either the "equal principal installments" method or the "graduated principal installments" method for the repayment of principal applies, the amount of the quarterly principal installments that will be due after the respective Maturity Extension Effective Date shall be equal to the amount of the quarterly installments of equal principal or graduated principal, as the case may be, that were due in accordance with the principal repayment schedule that applied to such Amortizing Advance immediately before such Maturity Extension Effective Date.

(2) With respect to each Amortizing Advance to which the "level debt service" method for the repayment of principal applies, the amount of the level quarterly payments consisting of a principal installment and accrued interest that will be due after the respective Maturity Extension Effective Date shall be newly computed so that the amount of each such quarterly payment consisting of a principal installment and accrued interest (taking into account the new interest rate that is in effect for such Amortizing Advance from and after such Maturity Extension Effective Date) shall be substantially equal to the amount

of every other quarterly payment consisting of a principal installment and accrued interest, and shall be sufficient, when added to all other such newly-computed level quarterly payments consisting of a principal installment and accrued interest, to repay the outstanding principal amount of such Amortizing Advance in full on the Final Maturity Date (notwithstanding the fact that the Borrower may have selected an Interim Maturity Date for such Amortizing Advance).

(3) For each such Amortizing Advance, the quarterly installments of equal principal or graduated principal, or the newly-computed level quarterly payments consisting of a principal installment and accrued interest, as the case may be, shall be due beginning on the first Payment Date to occur after the respective Maturity Extension Effective Date, and shall be due on each Payment Date to occur thereafter up through and including the earlier to occur of either (A) the new Maturity Date for such extended Amortizing Advance, on which date the entire unpaid principal amount of such extended Amortizing Advance shall also be payable, subject to further Maturity Extensions if the new Maturity Date is an Interim Maturity Date, or (B) the date on which the entire principal amount of such extended Amortizing Advance, and all unpaid interest (and Late Charges, if any) accrued thereon, are paid.

(h) The maturity of each Advance may be extended more than once as provided in this paragraph 15, but upon the occurrence of the Final Maturity Date, no further Maturity Extensions may occur.

16. Prepayment/Refinancing Privileges.

(a) The prepayment/refinancing privilege described in subparagraph (b) of this paragraph 16 shall apply automatically to each Advance that has a Maturity Date that will occur before the fifth anniversary of the Requested Advance Date specified in the respective Advance Request. With respect to each Advance for which the Borrower has selected a Maturity Date that will occur on or after the fifth anniversary of the Requested Advance Date specified in the respective Advance Request, the Borrower must elect, at the time of requesting the respective Advance, the particular prepayment/refinancing privilege that is to apply to such Advance from between the options described in subparagraphs (b) and (c) of this paragraph 16.

(b) "Market Value Premium (or Discount)" -- The Borrower shall have the privilege to prepay the respective Advance (as provided in paragraph 17 of this Note) or to refinance such Advance (as provided in paragraph 18 of this Note) at a prepayment or refinancing price that will include, in either case, a premium (or discount credit) equal to the difference between:

(1) the price for such Advance that would, if such Advance (including all unpaid interest accrued thereon through the date of prepayment or refinancing, as the case may be) were purchased by a third party and held to the Maturity Date of such Advance, produce a yield to the third-party purchaser for the period from the date of purchase to the Maturity Date of such Advance substantially equal to the interest rate that would be set on a loan from the Secretary of the Treasury to FFB to purchase an obligation having a payment schedule identical to the payment schedule of such Advance for the period from the date of prepayment or refinancing, as the case may be, to the Maturity Date of such Advance; and

(2) the sum of:

(A) the outstanding principal amount of such Advance on the date of prepayment or refinancing, as the case may be (after taking into account the payment of the principal installment (if any) that is due on date of prepayment or refinancing, as the case may be, in accordance with the principal repayment schedule that applied to such Advance immediately before such prepayment or refinancing); and

(B) all unpaid interest accrued on such Advance through the date of prepayment or refinancing, as the case may be,

(the difference between the price described in clause (1) of this subparagraph (b) and the sum of the amounts described in clause (2) of this subparagraph (b) being the "Market Value Premium (or Discount)"). The price described in clause (1) of this subparagraph (b) shall be calculated by the Secretary of the Treasury as of the close of business on the second Business Day before the date of prepayment or refinancing, as the case may be, using standard calculation methods of the United States Department of the Treasury.

(c) "Fixed Premium" -- The Borrower shall have the privilege to prepay the respective Advance (as provided in paragraph 17 of this Note) or to refinance such Advance (as provided in paragraph 18 of this Note) at a prepayment or refinancing price that will include, in either case, a fixed premium determined by the Borrower having made, at the time of requesting such Advance, both the election and selection described in this subparagraph (c).

(1) "No-Call Period Option Election" -- First, the Borrower must elect whether or not the fixed premium prepayment/refinancing privilege that is to apply to the respective Advance shall include a 5-year period during which such Advance shall not be eligible for any prepayment or refinancing (such time period being a "No-Call Period"). The options are:

(A) "yes" -- the Borrower elects to have the fixed premium prepayment/refinancing privilege include a 5-year No-Call Period, i.e., the Borrower shall have the privilege to prepay the respective Advance (as provided in paragraph 17 of this Note) or to refinance such Advance (as provided in paragraph 18 of this Note) on or after (but not before):

(i) the fifth anniversary of the Requested Advance Date for such Advance (if such fifth anniversary date is a Payment Date); or

(ii) the first Payment Date to occur after the fifth anniversary of the Requested Advance Date for such Advance (if such fifth anniversary date is not a Payment Date),

(in either case, such date being the "First Call Date" for such Advance); or

(B) "no" -- the Borrower elects to have the fixed premium prepayment/refinancing privilege not include a 5-year No-Call Period, i.e., the Borrower shall have the privilege to prepay the respective Advance (as provided in paragraph 17 of this Note) or to refinance such Advance (as provided in paragraph 18 of this Note) without a 5-year period during which such Advance shall not be eligible for any prepayment or refinancing.

(2) "Premium Option Selection" -- Second the Borrower must select the particular fixed premium that will be

required in connection with any prepayment or refinancing of the respective Advance. The options are:

(A) "10 percent premium declining over 10 years" -- the price for any prepayment or refinancing of the respective Advance shall include a premium equal to 10 percent of the amount of principal being prepaid or refinanced, as the case may be, multiplied by a fraction:

(i) the numerator of which is the number of Payment Dates that occur between:

(aa) in the case of a prepayment, the date of prepayment (if such date is a Payment Date) or the Payment Date immediately preceding the date of prepayment (if the date of prepayment is not a Payment Date), and, in the case of a refinancing, the date of refinancing, which date, in either case, shall be included in computing the number of Payment Dates; and

(bb) the earlier to occur of either:

(I) the Maturity Date that the Borrower selected for such Advance; or

(II) the tenth anniversary of the applicable First Call Date (if the Borrower elected to have the prepayment/refinancing privilege include a 5-year No-Call Period) or the tenth anniversary of the Requested Advance Date (if the Borrower elected to have the prepayment/refinancing privilege not include a 5-year No-Call Period),

which date, in either case, shall be excluded in computing the number of Payment Dates; and

(ii) the denominator of which is 40,

and no premium (x) on or after the tenth anniversary of the applicable First Call Date (if the Borrower elected to have the prepayment/refinancing privilege include a 5-year No-Call Period) or the tenth anniversary of the Requested Advance Date (if the Borrower elected to have

the prepayment/refinancing privilege not include a 5-year No-Call Period), or (y) on the Maturity Date (if the Borrower selected a Maturity Date that will occur before the tenth anniversary of the First Call Date or the tenth anniversary of the Requested Advance Date, as the case may be);

(B) "5 percent premium declining over 5 years" -- the price for any prepayment or refinancing of the respective Advance shall include a premium equal to 5 percent of the amount of principal being prepaid or refinanced, as the case may be, multiplied by a fraction:

(i) the numerator of which is the number of Payment Dates that occur between:

(aa) in the case of a prepayment, the date of prepayment (if such date is a Payment Date) or the Payment Date immediately preceding the date of prepayment (if the date of prepayment is not a Payment Date), and, in the case of a refinancing, the date of refinancing, which date, in either case, shall be included in computing the number of Payment Dates; and

(bb) the earlier to occur of either:

(I) the Maturity Date that the Borrower selected for such Advance; or

(II) the fifth anniversary of the applicable First Call Date (if the Borrower elected to have the prepayment/refinancing privilege include a 5-year No-Call Period) or the fifth anniversary of the Requested Advance Date (if the Borrower elected to have the prepayment/refinancing privilege not include a 5-year No-Call Period),

which date, in either case, shall be excluded in computing the number of Payment Dates; and

(ii) the denominator of which is 20,

and no premium on or after the fifth anniversary of the applicable First Call Date (if the Borrower elected to have the prepayment/refinancing privilege include a 5-year No-Call Period) or the fifth anniversary of the Requested Advance Date (if the Borrower elected to have the prepayment/refinancing privilege not include a 5-year No-Call Period); or

(C) "par" -- the price for any prepayment or refinancing of the respective Advance shall include no premium.

17. Prepayments.

(a) The Borrower may elect to prepay all or any portion of the outstanding principal amount of any Advance made under this Note, or to prepay this Note in its entirety, in the manner, at the price, and subject to the limitations specified in this paragraph 17 (each such election being a "Prepayment Election").

(b) For each Prepayment Election in which the Borrower elects to prepay a particular amount of the outstanding principal of an Advance, the Borrower shall deliver to RUS written notification of the respective Prepayment Election, in the form of notification attached to this Note as Annex C-1 (each such notification being a "Prepayment Election Notice"), making reference to the Advance Identifier that FFB assigned to the respective Advance (as provided in the Agreement) and specifying, among other things, the following:

(1) the particular date on which the Borrower intends to make the prepayment on such Advance (such date being the "Intended Prepayment Date" for such Advance), which date:

(A) must be a Business Day; and

(B) for any Advance for which the Borrower has selected a fixed premium prepayment/refinancing privilege that includes a 5-year No-Call Period, may not be a date that will occur before the applicable First Call Date; and

(2) the amount of principal of the respective Advance that the Borrower intends to prepay, which amount may be either:

(A) the total outstanding principal amount of such Advance; or

(B) an amount less than the total outstanding principal amount of such Advance (subject to subparagraph (g) of this paragraph 17) (any such amount being a "Portion").

(c) For each Prepayment Election in which the Borrower elects to have a particular amount of funds applied by FFB toward the prepayment of the outstanding principal of an Advance, the Borrower shall deliver to RUS written notification of the respective Prepayment Election, in the form of notification attached to this Note as Annex C-2 (each such notification also being a Prepayment Election Notice"), making reference to the Advance Identifier that FFB assigned to the respective Advance (as provided in the Agreement) and specifying, among other things, the following:

(1) the particular date on which the Borrower intends to make the prepayment on such Advance (such date being the "Intended Prepayment Date" for such Advance), which date:

(A) must be a Business Day; and

(B) for any Advance for which the Borrower has selected a fixed premium prepayment/refinancing privilege that includes a 5-year No-Call Period, may not be a date that will occur before the applicable First Call Date; and

(2) the particular amount of funds that the Borrower elects to be applied by FFB toward a prepayment of the outstanding principal amount of such Advance.

(d) To be effective, a Prepayment Election Notice must be approved by RUS in writing, and such Prepayment Election Notice, together with written notification of RUS's approval thereof, must be received by FFB on or before the fifth Business Day before the date specified therein as the Intended Prepayment Date for the respective Advance or Portion.

(e) The Borrower shall pay to FFB a price for the prepayment of any Advance, any Portion of any Advance, or this Note in its entirety (such price being the "Prepayment Price" for such Advance or Portion or this Note, as the case may be) determined as follows:

(1) in the event that the Borrower elects to prepay the entire outstanding principal amount of any Advance, then the

Borrower shall pay to FFB a Prepayment Price for such Advance equal to the sum of:

(A) the entire outstanding principal amount of such Advance on the Intended Prepayment Date;

(B) all unpaid interest (and Late Charges, if any) accrued on such Advance through the Intended Prepayment Date; and

(C) the amount of the premium or discount credit (if any) that is required under the particular prepayment/refinancing privilege that applies to such Advance;

(2) in the event that the Borrower elects to prepay a Portion of any Advance, then the Borrower shall pay to FFB a Prepayment Price for such Portion that would equal such Portion's pro rata share of the Prepayment Price that would be required for a prepayment of the entire outstanding principal amount of such Advance (determined in accordance with the principles of clause (1) of this subparagraph (e)); and

(3) in the event that the Borrower elects to prepay this Note in its entirety, then the Borrower shall pay to FFB an amount equal to the sum of the Prepayment Prices for all outstanding Advances (determined in accordance with the principles of clause (1) of this subparagraph (e)).

(f) Payment of the Prepayment Price for any Advance, any Portion of any Advance, or this Note in its entirety shall be due to FFB before 3:00 p.m. (Washington, D.C., time) on the Intended Prepayment Date for such Advance or Portion or this Note, as the case may be.

(g) Each prepayment of a Portion shall, as to the principal amount of such Portion, be subject to a minimum amount equal to \$100,000.00 of principal.

(h) In the event that the Borrower makes a Prepayment Election with respect to any Portion of an Amortizing Advance, then the Prepayment Price paid for such Portion shall be applied as provided in paragraph 14 of this Note and, with respect to application to outstanding principal, such Prepayment Price shall be applied to principal installments in the inverse order of maturity.

(i) In the event that the Borrower makes a Prepayment Election with respect to any Portion of an Amortizing Advance, then the outstanding principal amount of such Amortizing Advance, after such partial prepayment, shall be due and payable in accordance with this subparagraph (i).

(1) With respect to each Amortizing Advance to which either the "equal principal installments" method or the "graduated principal installments" method for the repayment of principal applies, the amount of the quarterly principal installments that will be due after such partial prepayment shall be equal to the quarterly installments of equal principal or graduated principal, as the case may be, that were due in accordance with the principal repayment schedule that applied to such Amortizing Advance immediately before such partial prepayment.

(2) With respect to each Amortizing Advance to which the "level debt service" method for the repayment of principal applies, the amount of the quarterly payments consisting of a principal installment and accrued interest that will be due after such partial prepayment shall be equal to the amount of the level debt service payments that were due in accordance with the level debt service payment schedule that applied to such Amortizing Advance immediately before such partial prepayment, and such payments shall be allocated by FFB between principal and accrued interest, as appropriate.

(3) For each such Amortizing Advance, the quarterly installments of equal principal or graduated principal, or level quarterly payments consisting of a principal installment and accrued interest, as the case may be, shall be due beginning on the first Payment Date to occur after such partial prepayment, and shall be due on each Payment Date to occur thereafter up through and including the earlier to occur of either (A) the Maturity Date for such Amortizing Advance, on which date the entire unpaid principal amount of such Amortizing Advance shall also be payable, subject to Maturity Extensions (as provided in paragraph 15 of this Note) if the Maturity Date is an Interim Maturity Date, or (B) the date on which the entire principal amount of such Amortizing Advance, and all unpaid interest (and Late Charges, if any) accrued thereon, are paid.

(j) The Borrower may make more than one Prepayment Election with respect to an Advance, each such Prepayment Election being

made with respect to a different Portion of such Advance, until such time as the entire principal amount of such Advance is repaid in full.

18. Refinancings.

(a) The Borrower may elect to refinance the outstanding principal amount of any Advance (but not any Portion) in the manner, at the price, and subject to the limitations specified in this paragraph 18 (each such election being a "Refinancing Election").

(b) Except under the circumstances described in subparagraph (d) of this paragraph 18, the Borrower shall deliver to FFB (with a copy to RUS) written notification of each Refinancing Election, in the form of notification attached to this Note as Annex D-1 (each such notification being a "Refinancing Election Notice"), making reference to the Advance Identifier that FFB assigned to the respective Advance (as provided in the Agreement) and specifying, among other things, the following:

(1) the particular date on which the Borrower intends to refinance the respective Advance (such date being the "Intended Refinancing Date" for the respective Advance), which date:

(A) must be a Payment Date; and

(B) for any Advance for which the Borrower has selected a prepayment/refinancing privilege that includes a 5-year No-Call Period, may not be a date that will occur before the applicable First Call Date;

(2) the amount of the outstanding principal of the respective Advance that the Borrower elects to refinance (subject to the clause (1) of subparagraph (e) of this paragraph 18); and

(3) the Maturity Date that the Borrower selects to be in effect for such principal amount after such refinancing, which date may be:

(A) the Maturity Date that is in effect for such Advance immediately before such refinancing; or

(B) a new Maturity Date that the Borrower selects in connection with such Refinancing Election, provided

that such new Maturity Date meets the criteria for Maturity Dates prescribed in paragraph 5 of this Note (provided, however, that for purposes of selecting a new Maturity Date in connection with a Refinancing Election, the reference to "the Requested Advance Date for the respective Advance" in subparagraph (c) of paragraph 5 of this Note shall be deemed to be a reference to "the respective Refinancing Effective Date").

(c) To be effective, a Refinancing Election Notice must be received by FFB on or before the fifth Business Day before the date specified therein as the Intended Refinancing Date.

(d) In the event that either of the circumstances described in clause (1) or (2) of the next sentence shall have occurred, then a Refinancing Election Notice (in the form of notice attached to this Note as Annex D-2), to be effective, must first be delivered to RUS for approval and be approved by RUS in writing, and such Refinancing Election Notice, together with written notification of RUS's approval thereof, must be received by FFB on or before the fifth Business Day before the date specified therein to be the Intended Refinancing Date. RUS approval of a Refinancing Election Notice will be required under either of the following circumstances:

(1) (A) payment of any amount owing under this Note is not made by the Borrower when and as due, (B) payment is made by RUS in accordance with the guarantee set forth at the end of this Note, and (C) RUS delivers notice to both the Borrower and FFB advising each of them that each Refinancing Election Notice delivered by the Borrower after the date of such notice shall require the approval of RUS;
or

(2) FFB at any time delivers notice to both the Borrower and RUS advising each of them that each Refinancing Election Notice delivered by the Borrower after the date of such notice shall require the approval of RUS.

(e) The Borrower shall pay to FFB a price for the refinancing of any Advance (such price being the "Refinancing Price" for such Advance) equal to the sum of:

(1) the principal installment (if any) that is due on the particular Payment Date that the Borrower specified to be the Intended Refinancing Date, in accordance with the

principal repayment schedule that applied to such Advance immediately before such refinancing;

(2) all unpaid interest (and Late Charges, if any) accrued on such Advance through the Intended Refinancing Date; and

(3) the amount of the premium (if any) that is required under the particular prepayment/refinancing privilege that applies to such Advance.

In the event that (A) the prepayment/refinancing privilege that applies to the particular Advance being refinanced is the privilege described in subparagraph (b) of paragraph 16 of this Note, and (B) the Market Value Premium (or Discount) that is to be included in the Refinancing Price for such Advance is a discount on such Advance, then such discount shall be applied by FFB in the manner requested by the Borrower in a written notice delivered by the Borrower to FFB and approved by RUS in writing.

(f) Payment of the Refinancing Price for any Advance shall be due to FFB before 3:00 p.m. (Washington, D.C., time) on the Intended Refinancing Date for such Advance.

(g) In the event that a Refinancing Election Notice (and, if required under subparagraph (d) of this paragraph 18, written notification of RUS's approval thereof) is received by FFB on or before the fifth Business Day before the Intended Refinancing Date specified therein, then the refinancing of the respective Advance shall become effective on such Intended Refinancing Date (in such event, the Intended Refinancing Date being the "Refinancing Effective Date"). In the event that a Refinancing Election Notice (and, if required under subparagraph (d) of this paragraph 18, written notification of RUS's approval thereof) is received by FFB after the fifth Business Day before the Intended Refinancing Date specified therein, then the refinancing of the respective Advance shall become effective on the fifth Business Day to occur after the day on which such Refinancing Election Notice (and, if required under subparagraph (d) of this paragraph 18, written notification of RUS's approval thereof) is received by FFB (in such event, the fifth Business Day to occur after the day on which such Refinancing Election Approval Notice (and, if required under subparagraph (d) of this paragraph 18, written notification of RUS's approval thereof) is received by FFB being the "Refinancing Effective Date"), provided that the Borrower shall have paid to FFB, in addition to the Refinancing Price required under subparagraph (e) of this paragraph 18, the

interest accrued from the Intended Refinancing Date through such Refinancing Effective Date.

(h) In the event that the Borrower makes a Refinancing Election with respect to any Advance, the basic interest rate for such Advance, from and after the respective Refinancing Effective Date, shall be the particular rate that is established by FFB, as of such Refinancing Effective Date, in accordance with the principles of subparagraph (c) of paragraph 6 of this Note.

(i) In the event that (1) the Borrower makes a Refinancing Election with respect to any Advance, and (2) the Borrower selects as the Maturity Date for such refinanced Advance either (A) the Maturity Date that is in effect for such Advance immediately before such refinancing, and such Maturity Date will occur before the fifth anniversary of the respective Refinancing Effective Date, or (B) a new Maturity Date that will occur before the fifth anniversary of the respective Refinancing Effective Date, then the prepayment/refinancing privilege described in subparagraph (b) of paragraph 16 of this Note shall apply automatically to such Advance.

(j) In the event that (1) the Borrower makes a Refinancing Election with respect to any Advance, and (2) the Borrower selects as the Maturity Date for such refinanced Advance either (A) the Maturity Date that is in effect for such Advance immediately before such refinancing, and such Maturity Date will occur on or after the fifth anniversary of the respective Refinancing Effective Date, or (B) a new Maturity Date that will occur on or after the fifth anniversary of the respective Refinancing Effective Date, then the Borrower must elect a prepayment/refinancing privilege for such refinanced Advance from between the options described in subparagraphs (b) and (c) of paragraph 16 of this Note (provided, however, that each of the references to "the Requested Advance Date for such Advance" in subparagraph (c) of paragraph 16 of this Note shall be deemed to be a reference to "the respective Refinancing Effective Date"). The Refinancing Election Notice delivered by the Borrower in connection with each such Refinancing Election must also specify the particular prepayment/refinancing privilege that the Borrower elects for the respective refinanced Advance. In the event that the Borrower elects for any such refinanced Advance a prepayment/refinancing privilege described in subparagraph (c) of paragraph 16 of this Note, then the interest rate for such refinanced Advance, from and after the respective Refinancing Effective Date, shall include a price (expressed in terms of a basis point increment to the applicable basic interest rate) for the particular prepayment/refinancing privilege that the Borrower

elects, which increment shall be established by FFB, as of such Refinancing Effective Date, in accordance with the principles of subparagraph (d) of paragraph 6 of this Note.

(k) In the event that the Borrower makes a Refinancing Election with respect to any Amortizing Advance, then the outstanding principal amount of such Amortizing Advance, after the respective Refinancing Effective Date, shall be due and payable in accordance with this subparagraph (k).

(1) With respect to each Amortizing Advance to which either the "equal principal installments" method or the "graduated principal installments" method for the repayment of principal applies, the amount of the quarterly principal installments that will be due after the respective Refinancing Effective Date shall be equal to the amount of the quarterly installments of equal principal or graduated principal, as the case may be, that were due in accordance with the principal repayment schedule that applied to such Amortizing Advance immediately before the respective Refinancing Effective Date.

(2) With respect to each Amortizing Advance to which the "level debt service" method for the repayment of principal applies, the amount of the level quarterly payments consisting of a principal installment and accrued interest that will be due after the respective Refinancing Effective Date shall be newly computed so that the amount of each such quarterly payment consisting of a principal installment and accrued interest (taking into account the new interest rate that applies to such Amortizing Advance from and after such Refinancing Effective Date) shall be substantially equal to the amount of every other quarterly payment consisting of a principal installment and accrued interest, and shall be sufficient, when added to all other such newly-computed level quarterly payments consisting of a principal installment and accrued interest, to repay the outstanding principal amount of such refinanced Amortizing Advance in full on the Final Maturity Date (notwithstanding the fact that the Borrower may have selected a Maturity Date for such refinanced Amortizing Advance that will occur before the Final Maturity Date).

(3) The quarterly installments of equal principal or graduated principal, or the newly-computed level quarterly payments consisting of a principal installment and accrued interest, as the case may be, shall be due beginning on the first Payment Date to occur after the respective Refinancing

Effective Date, and shall be due on each Payment Date to occur thereafter up through and including the earlier to occur of (A) the new Maturity Date that the Borrower selected for such refinanced Amortizing Advance, on which date the entire unpaid principal amount of such refinanced Amortizing Advance shall also be payable, subject to Maturity Extensions (as provided in paragraph 15 of this Note) if the new Maturity Date is an Interim Maturity Date, or (B) the date on which the entire principal amount of such refinanced Amortizing Advance, and all unpaid interest (and Late Charges, if any) accrued thereon, are paid.

(l) The Borrower may make more than one Refinancing Election with respect to any Advance.

19. Rescission of Prepayment Elections and Refinancing Elections; Late Charges for Late Payments.

(a) The Borrower may rescind any Prepayment Election made in accordance with paragraph 17 of this Note or any Refinancing Election made in accordance with paragraph 18 of this Note, but only in accordance with this paragraph 19.

(b) The Borrower shall deliver to both FFB and RUS written notification of each rescission of a Prepayment Election or a Refinancing Election (each such notification being an "Election Rescission Notice") specifying the particular Advance for which the Borrower wishes to rescind such Prepayment Election or Refinancing Election, as the case may be, which specification must make reference to both:

(1) the particular Advance Identifier that FFB assigned to such Advance (as provided in the Agreement); and

(2) the RUS account number for such Advance.

The Election Rescission Notice may be delivered by facsimile transmission to FFB at (202) 622-0707 and to RUS at (202) 720-1401, or at such other facsimile number or numbers as either FFB or RUS may from time to time communicate to the Borrower.

(c) To be effective, an Election Rescission Notice must be received by both FFB and RUS not later than 3:30 p.m. (Washington, D.C., time) on the second Business Day before the Intended Prepayment Date or the Intended Refinancing Date, as the case may be.

(d) In the event that the Borrower (1) makes a Prepayment Election in accordance with paragraph 17 of this Note or a Refinancing Election in accordance with paragraph 18 of this Note, (2) does not rescind such Prepayment Election or Refinancing Election, as the case may be, in accordance with this paragraph 19, and (3) does not, before 3:00 p.m. (Washington, D.C., time) on the Intended Prepayment Date or Intended Refinancing Date, as the case may be, pay to FFB the Prepayment Price described in subparagraph (e) of paragraph 17 of this Note or Refinancing Price described in subparagraph (e) of paragraph 18 of this Note, as the case may be, then a Late Charge shall accrue on any such unpaid amount from the Intended Prepayment Date or Intended Refinancing Date, as the case may be, to the date on which payment is made, computed in accordance with the principles of paragraph 11 of this Note.

20. Amendments to Note.

To the extent not inconsistent with applicable law, this Note, for so long as FFB or its agent is the holder thereof, shall be subject to modification by such amendments, extensions, and renewals as may be agreed upon from time to time by FFB and the Borrower, with the approval of RUS.

21. Certain Waivers.

The Borrower hereby waives any requirement for presentment, protest, or other demand or notice with respect to this Note.

22. Note Effective Until Paid.

This Note shall continue in full force and effect until all principal outstanding hereunder, all interest accrued hereunder, all premiums (if any) payable under paragraphs 17 and 18 of this Note, all Late Charges (if any) payable under paragraphs 11 and 19 of this Note, and all fees (if any) payable under paragraph 9 of this Note have been paid in full.

23. RUS Guarantee of Note.

Upon execution of the guarantee set forth at the end of this Note (the "Guarantee"), the payment by the Borrower of all amounts due and payable under this Note, when and as due, shall be guaranteed by the United States of America, acting through RUS, pursuant to the Rural Electrification Act of 1936, as amended (codified at 7 U.S.C. § 901 et seq.). In consideration of the Guarantee, the Borrower promises to RUS to make all payments due under this Note when and as due.

24. Security Instrument; RUS as "Holder" of Note for Purposes of the Security Instrument.

This Note is one of several notes permitted to be executed and delivered by, and is entitled to the benefits and security of, the particular security instrument or instruments specified on page 1 of this Note (such security instrument or instruments, as it or they may have heretofore been, and as it or they may hereafter be, amended, supplemented, restated, or consolidated from time to time in accordance with its or their terms, being, collectively, the "Security Instrument"), whereby the Borrower pledged and granted a security interest in certain property of the Borrower, described therein, to secure the payment of and performance of certain obligations owed to REA, predecessor to RUS, or to RUS, as the case may be, as set forth in the Security Instrument. For purposes of the Security Instrument, RUS shall be considered to be, and shall have the rights, powers, privileges, and remedies of, the holder of this Note.

25. Guarantee Payments; Reimbursement.

If RUS makes any payment, pursuant to the Guarantee, of any amount due and payable under this Note, when and as due, each and every such payment so made shall be deemed to be a payment hereunder; provided, however, that no payment by RUS pursuant to the Guarantee shall be considered a payment for purposes of determining the existence of a failure by the Borrower to perform its obligation to RUS to make all payments under this Note when and as due. RUS shall have any rights by way of subrogation, agreement or otherwise which arise as a result of such payment pursuant to the Guarantee and as provided in the reimbursement note executed and delivered by the Borrower to the United States of America, acting through RUS, to evidence the Borrower's obligation to reimburse RUS for payment made by RUS pursuant to the Guarantee.

26. Default and Enforcement.

In case of a default by the Borrower under this Note or a the occurrence of an event of default under the Security Instrument, then, in consideration of the obligation of RUS under the Guarantee, in that event, to make payments to FFB as provided in this Note, RUS, in its own name, shall have all rights, powers, privileges, and remedies of the holder of this Note, in accordance with the terms of this Note and the Security Instrument, including, without limitation, the right to enforce or collect all or any part of the obligation of the Borrower under this Note or arising as a result of the Guarantee, to file

proofs of claim or any other document in any bankruptcy, insolvency, or other judicial proceeding, and to vote such proofs of claim.

27. Acceleration.

The entire unpaid principal amount of this Note, and all interest thereon, may be declared, and upon such declaration shall become, due and payable to RUS, under the circumstances described, and in the manner and with the effect provided, in the Security Instrument.

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

ARIZONA ELECTRIC POWER COOPERATIVE, INC.

(name of Borrower)

BY:

Signature: Reuben B. McBride

Print Name: REUBEN B. MCBRIDE

Title: President

ATTEST:

Signature: Thomas N. Powers

(SEAL)

Print Name: THOMAS N. POWERS

Title: Secretary

RUS GUARANTEE

The United States of America, acting through the Administrator of the Rural Utilities Service ("RUS"), successor to the Administrator of the Rural Electrification Administration ("REA"), hereby guarantees to the Federal Financing Bank, its successors and assigns ("FFB"), all payments of principal, interest, premium (if any), and late charges (if any), when and as due in accordance with the terms of the note dated August 3, 2009, made by ARIZONA ELECTRIC POWER COOPERATIVE, INC. (the "Borrower") payable to FFB, to which this Guarantee is attached (such note being the "Note"), with interest on the principal until paid, irrespective of (i) acceleration of such payments under the terms of the Note, or (ii) receipt by RUS of any sums or property from its enforcement of its remedies for the Borrower's default.

This Guarantee is issued pursuant to section 306 of the Rural Electrification Act of 1936, as amended (7 U.S.C. § 936), section 6 of the Federal Financing Bank Act of 1973 (12 U.S.C. § 2285), and the Note Purchase Commitment and Servicing Agreement dated as of January 1, 1992, between FFB and REA, as amended by certain amendments thereto including, without limitation, the Fourth Amendment dated as of December 5, 1994, between FFB and RUS.

UNITED STATES OF AMERICA

By: _____

Name: _____

Title: Administrator of the Rural Utilities Service, successor to the Administrator of the Rural Electrification Administration

Date: _____

RUS

ANNEX A
TO
NEW LOAN NOTE

FORM
OF
ADVANCE REQUEST
(RUS APPROVAL REQUIRED)

**ADVANCE REQUEST
(RUS APPROVAL REQUIRED)**

REFER TO RURAL UTILITIES SERVICE (RUS) REGULATIONS AND INSTRUCTIONS FOR A DESCRIPTION OF (1) THE OTHER FORMS AND MATERIALS THAT ARE REQUIRED IN CONNECTION WITH EACH REQUEST FOR AN ADVANCE, AND (2) THE TIME LIMITS FOR SUBMITTING THOSE FORMS AND MATERIALS AND THIS ADVANCE REQUEST TO RUS.

DIRECT ALL QUESTIONS ON HOW TO COMPLETE THIS FORM TO THE ASSIGNED CONTACT OFFICE FOR THE BORROWER:

For Electric Borrowers: Power Supply Division, RUS -- telephone no.: (202) 720-6436
Northern Regional Division, RUS -- telephone no.: (202) 720-1420
Southern Regional Division, RUS -- telephone no.: (202) 720-0848

For Telephone Borrowers: Northeast Area, RUS -- telephone no.: (202) 690-4673
Southeast Area, RUS -- telephone no.: (202) 720-0715
Northwest Area, RUS -- telephone no.: (202) 720-1025
Southwest Area, RUS -- telephone no.: (202) 720-0800

WHEN COMPLETED, DELIVER THIS ORIGINAL FORM (TOGETHER WITH ALL OTHER FORMS AND MATERIAL REQUIRED BY RUS) TO RUS AT THE ADDRESS OF THE CONTACT OFFICE INDICATED BELOW:

USDA - Rural Utilities Service

For Electric Borrowers: Stop 1568, Power Supply Division
Stop 1566, Northern Regional Division
Stop 1567, Southern Regional Division

For Telephone Borrowers: Stop 1599, Northeast Area
Stop 1596, Southeast Area
Stop 1595, Northwest Area
Stop 1597, Southwest Area

1400 Independence Avenue, S.W.
Washington, D.C. 20250

ADVANCE REQUEST

Manager
Federal Financing Bank

Reference is made to the following-described Future Advance Promissory Note (the "Note") payable to the Federal Financing Bank ("FFB"), which is guaranteed by the Rural Utilities Service ("RUS"):

Name of Borrower (the "Borrower"):

_____ 1

FFB Note Identifier:

_____ 2

The undersigned, as an authorized officer of the Borrower, hereby requests FFB to make an advance of funds ("this Advance") under, pursuant to, and in accordance with the applicable terms of the Note.

The undersigned further requests that this Advance be made as follows:

1. Requested Advance Amount: \$ _____ 3

2. Requested Advance Date: _____ 4

3. Wire Instructions:

A. CORRESPONDENT BANK (if any) FOR PAYEE'S BANK:

Name of financial institution _____
 Address of financial institution _____
 ABA number of financial institution _____

B. PAYEE'S BANK AND ACCOUNT:

Name of financial institution _____
 Address of financial institution _____
 ABA number of financial institution _____
 Account name _____
 Account number _____
 Taxpayer ID number _____

4. Maturity Date: _____ 5

5. Principal Repayment Method:

[SELECT 1 OF THE FOLLOWING 3 METHODS FOR THE REPAYMENT OF PRINCIPAL ONLY IF THE MATURITY DATE SELECTED FOR THIS ADVANCE WILL OCCUR ON OR AFTER THE "FIRST PRINCIPAL PAYMENT DATE" SPECIFIED ON PAGE 1 OF THE NOTE.]

"P" for the "equal principal installments" method

"G" for "graduated principal installments" method

"L" for the "level debt service" method

6

6. Prepayment/Refinancing Privilege:

[SELECT 1 OF THE FOLLOWING 2 PAYMENT/REFINANCING PRIVILEGES ONLY IF THE MATURITY DATE SELECTED FOR THIS ADVANCE WILL OCCUR ON OR AFTER THE FIFTH ANNIVERSARY OF THE REQUESTED ADVANCE DATE.]

"M" for the "market value premium (or discount)" privilege ⁷

"F" for the "fixed premium" privilege

No-Call Period Option Election:

[SELECT 1 OF THE FOLLOWING 2 NO-CALL PERIOD OPTIONS ONLY IF A "FIXED PREMIUM" PRIVILEGE IS ELECTED FOR THIS ADVANCE.]

"Y" for "yes," if the privilege is to include a 5-year no-call period ⁸

"N" for "no," if the privilege is not to include a 5-year no-call period

Premium Option Selection:

[SELECT 1 OF THE FOLLOWING 3 PREMIUM OPTIONS ONLY IF A "FIXED PREMIUM" PRIVILEGE IS ELECTED FOR THIS ADVANCE.]

"X" for 10% premium declining over 10 years ⁹

"V" for 5% premium declining over 5 years

"P" for par (no premium)

The undersigned hereby certifies that the authority of the undersigned to execute and deliver this Advance Request on behalf of the Borrower is valid and in full force and effect on the date hereof.

(Name of Borrower)

By: _____

Name: _____

Title: _____

Date: _____

**NOTICE OF RUS APPROVAL OF
ADVANCE REQUEST**

Notice is hereby given to FFB that the preceding Advance Request made by the Borrower identified therein has been approved by RUS for purposes of the Note identified therein.

**FOR ACCOUNTING
USE ONLY:**

RUS Budget
Account
Number

ADMINISTRATOR of the
RURAL UTILITIES SERVICE,
acting through his or her
duly authorized designee

By: _____

Name: _____

Title: _____

Date: _____

INSTRUCTIONS

- ¹Insert the corporate name of the Borrower. If the corporate name of the Borrower at the time of this Advance is different from the corporate name that appears on page 1 of the Note, add "(formerly _____)", and insert in this second blank the corporate name of the Borrower as it appears on page 1 of the Note.
- ²Insert the "Note Identifier" that FFB assigned to the Note (as provided in the Agreement).
- ³Insert the particular amount of funds that the Borrower requests to be advanced.
- ⁴Insert the particular calendar date that the Borrower requests to be date on which this Advance is to be made.
- ⁵Insert the particular calendar date that the Borrower selects to be the date on which this Advance is to mature. This date (a) must be the last day of a calendar quarter, (b) may not be later than the "Final Maturity Date" specified on page 1 of the Note, and (c) may not be less than one complete calendar quarter from the Requested Advance Date.
- ⁶Insert in the box "P" if the Borrower selects the "equal principal installments" method as the method for the repayment of principal that is to apply to this Advance. Insert in the box "G" if the Borrower selects the "graduated principal installments" method as the method for the repayment of principal that is to apply to this Advance. Insert in the box "L" if the Borrower selects the "level debt service" method as the method for the repayment of principal that is to apply to this Advance.
- ⁷Insert in the box "M" if the Borrower elects to have the "market value premium (or discount)" prepayment privilege apply to this Advance. Insert in the box "F" if the Borrower elects to have a "fixed premium" prepayment/refinancing privilege apply to this Advance.
- ⁸Insert in the box "Y" if the Borrower elects to have the fixed premium prepayment/refinancing privilege that is to apply to this Advance include a 5-year no-call period during which this Advance will not be eligible for prepayment or refinancing. Insert in the box "N" if the Borrower elects to have the fixed premium prepayment/refinancing privilege that is to apply to this Advance not include any 5-year no-call period.
- ⁹Insert in the box "X" if the Borrower selects a 10% premium declining over 10 years as the premium option that is to be included in the fixed premium prepayment/refinancing privilege that is to apply to this Advance. Insert in the box "V" if the Borrower selects a 5% premium declining over 5 years as the premium option that is to be included in the fixed premium prepayment/refinancing privilege that is to apply to this Advance. Insert in the box "P" if the Borrower selects par (no premium) as the premium option that is to be included in the fixed premium prepayment/refinancing privilege that is to apply to this Advance.

RUS

ANNEX B-1

TO

NEW LOAN NOTE

FORM

OF

MATURITY EXTENSION ELECTION NOTICE

MATURITY EXTENSION ELECTION NOTICE

PART 1 OF THIS FORM HAS BEEN COMPLETED BY RUS. THE BORROWER SHOULD COMPLETE PARTS 2 AND 3 OF THIS FORM ONLY FOR THOSE PARTICULAR ADVANCES IDENTIFIED IN PART 1 OF THIS FORM WITH RESPECT TO WHICH THE BORROWER ELECTS (1) TO HAVE THE MATURITY EXTENDED TO A NEW MATURITY DATE OTHER THAN THE IMMEDIATELY FOLLOWING QUARTERLY PAYMENT DATE, AND/OR (2) TO HAVE EITHER THE "EQUAL PRINCIPAL PAYMENTS" OR THE "GRADUATED PRINCIPAL PAYMENTS" METHOD FOR THE REPAYMENT OF PRINCIPAL APPLY TO ANY ADVANCE FOR WHICH NO METHOD FOR REPAYMENT OF PRINCIPAL IS PRESENTLY IN EFFECT, OR, IF EITHER THE "EQUAL PRINCIPAL PAYMENTS" OR THE "GRADUATED PRINCIPAL PAYMENTS" METHOD FOR THE REPAYMENT OF PRINCIPAL IS PRESENTLY IN EFFECT FOR ANY ADVANCE IDENTIFIED IN PART 1 OF THIS FORM, TO CHANGE FROM THAT METHOD TO THE "LEVEL DEBT SERVICE" METHOD FOR THE REPAYMENT OF PRINCIPAL OF THAT ADVANCE.

DIRECT ALL QUESTIONS ON HOW TO COMPLETE THIS FORM TO THE ASSIGNED CONTACT OFFICE FOR THE BORROWER:

For Electric Borrowers: Power Supply Division, RUS -- telephone no.: (202) 720-6436
Northern Regional Division, RUS -- telephone no.: (202) 720-1420
Southern Regional Division, RUS -- telephone no.: (202) 720-0848

For Telephone Borrowers: Northeast Area, RUS -- telephone no.: (202) 690-4673
Southeast Area, RUS -- telephone no.: (202) 720-0715
Northwest Area, RUS -- telephone no.: (202) 720-1025
Southwest Area, RUS -- telephone no.: (202) 720-0800

WHEN COMPLETED, DELIVER THIS ORIGINAL FORM TO FFB AT THE FOLLOWING ADDRESS:

Manager
Federal Financing Bank
Room SC 1, Main Treasury Building
1500 Pennsylvania Avenue, N.W.
Washington, D.C. 20220

DELIVER A COPY OF THIS FORM TO RUS AT THE ADDRESS OF THE CONTACT OFFICE INDICATED BELOW:

USDA - Rural Utilities Service

For Electric Borrowers: Stop 1568, Power Supply Division
Stop 1566, Northern Regional Division
Stop 1567, Southern Regional Division

For Telephone Borrowers: Stop 1599, Northeast Area
Stop 1596, Southeast Area
Stop 1595, Northwest Area
Stop 1597, Southwest Area

1400 Independence Avenue, S.W.
Washington, D.C. 20250

MATURITY EXTENSION ELECTION NOTICE

Manager
Federal Financing Bank

Reference is made to the following-described Future Advance Promissory Note (the "Note") payable to the Federal Financing Bank ("FFB"), which is guaranteed by the Rural Utilities Service ("RUS"):

Name of Borrower (the "Borrower"):

FFB Note Identifier:

RUS Note Number:

Part 1 (To be completed by RUS):

Each of the advances of funds ("Advances") identified in this Part 1 will mature on _____ (the "Maturity Date").

<u>FFB ADVANCE IDENTIFIER</u>	<u>RUS ACCOUNT NUMBER</u>	<u>ORIGINAL ADVANCE DATE</u>	<u>ORIGINAL ADVANCE AMOUNT</u>	<u>OUTSTANDING PRINCIPAL AMOUNT</u>	<u>PRINCIPAL INSTALLMENT DUE</u>
_____	_____	_____	\$ _____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____	\$ _____

Part 2:

For each of the Advances identified in this Part 2, the respective amount of principal that the Borrower will pay on the Maturity Date is as follows:

<u>FFB ADVANCE IDENTIFIER¹</u>	<u>PRINCIPAL INSTALLMENT DUE²</u>	<u>OPTIONAL ADDITIONAL PRINCIPAL PAYMENT³</u>	<u>TOTAL AMOUNT OF PRINCIPAL TO BE PAID⁴</u>
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____

Part 3:

Notice is hereby given to FFB (and RUS) of the Borrower's election that the maturity of each of the Advances identified in Part 2 be extended as follows:

<u>FFB ADVANCE IDENTIFIER⁵</u>	<u>AMOUNT OF PRINCIPAL TO BE EXTENDED⁶</u>	<u>NEW MATURITY DATE⁷</u>	<u>PRINCIPAL REPAYMENT METHOD⁸</u>	<u>TYPE OF PREPAY'T/ REFINAN'G PRIVILEGE⁹</u>	<u>5-YEAR NO-CALL PERIOD¹⁰</u>	<u>PREMIUM OPTION¹¹</u>
_____	\$ _____	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	\$ _____	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	\$ _____	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	\$ _____	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The undersigned hereby certifies that the authority of the undersigned to execute and deliver this Maturity Extension Election Notice on behalf of the Borrower is valid and in full force and effect on the date hereof.

(Name of Borrower)

By: _____

Name: _____

Title: _____

Date: _____

INSTRUCTIONS

THE BORROWER SHOULD NOT COMPLETE THIS FORM OR DELIVER IT TO FFB OR RUS IF THE BORROWER DESIRES (1) TO HAVE THE MATURITY OF ALL OF THE ADVANCES IDENTIFIED IN PART 1 OF THIS FORM EXTENDED AUTOMATICALLY TO THE IMMEDIATELY FOLLOWING QUARTERLY PAYMENT DATE, AND (2) IF THE MATURITY DATE SPECIFIED IN PART 1 OF THIS FORM WILL OCCUR ON OR AFTER THE "FIRST PRINCIPAL PAYMENT DATE" SPECIFIED ON PAGE 1 OF THE NOTE, TO HAVE THE "LEVEL DEBT SERVICE" METHOD FOR THE REPAYMENT OF PRINCIPAL APPLY TO EACH ADVANCE FOR WHICH NO METHOD FOR THE REPAYMENT OF PRINCIPAL IS PRESENTLY IN EFFECT, AND, FOR THOSE ADVANCES FOR WHICH A METHOD FOR THE REPAYMENT OF PRINCIPAL IS PRESENTLY IN EFFECT, TO HAVE THE SAME METHOD FOR THE REPAYMENT OF PRINCIPAL THAT APPLIES TO EACH ADVANCE BEFORE THE MATURITY DATE CONTINUE TO APPLY TO EACH ADVANCE, RESPECTIVELY.

IF THE BORROWER DOES NOT RETURN THIS FORM TO FFB OR RUS, (1) THE MATURITY OF ALL OF THE ADVANCES IDENTIFIED IN PART 1 OF THIS FORM WILL BE EXTENDED AUTOMATICALLY TO THE IMMEDIATELY FOLLOWING QUARTERLY PAYMENT DATE, AND (2) IF THE MATURITY DATE SPECIFIED IN PART 1 OF THIS FORM WILL OCCUR ON OR AFTER THE "FIRST PRINCIPAL PAYMENT DATE" SPECIFIED ON PAGE 1 OF THE NOTE, THE "LEVEL DEBT SERVICE" METHOD FOR THE REPAYMENT OF PRINCIPAL WILL APPLY TO EACH ADVANCE FOR WHICH NO METHOD FOR THE REPAYMENT OF PRINCIPAL IS PRESENTLY IN EFFECT, AND, FOR THOSE ADVANCES FOR WHICH A METHOD FOR THE REPAYMENT OF PRINCIPAL IS PRESENTLY IN EFFECT, THE SAME METHOD FOR THE REPAYMENT OF PRINCIPAL THAT APPLIES TO EACH ADVANCE BEFORE THE MATURITY DATE WILL CONTINUE TO APPLY TO EACH ADVANCE, RESPECTIVELY.

¹Complete 1 line in Part 2 for each Advance identified in Part 1 with respect to which the Borrower elects (1) to have the maturity extended to a new Maturity Date other than the next date to occur that is the last day of a calendar

quarter, and/or (2) to have either the "equal principal payments" or the "graduated principal payments" method for the repayment of principal apply to any Advance for which no method for repayment of principal is presently in effect, or, if either the "equal principal payments" or the "graduated principal payments" method for the repayment of principal is presently in effect for any Advance identified in Part 1, to change from that method to the "level debt service" method for the repayment of principal of that Advance.

²For each Advance, insert the "Principal Installment Due" for the respective Advance, as specified in Part 1.

³The Borrower has the option of making an additional payment of principal on the Maturity Date without any premium being charged. For each Advance, insert the amount of any optional additional principal payment that will be paid on the Maturity Date.

⁴For each Advance, insert the total amount of principal that will be paid on the Maturity Date. That amount must be equal to the sum of the "Principal Installment Due" for the respective Advance, as specified in Part 1, and the amount (if any) inserted by the Borrower as an "Optional Additional Principal Payment."

⁵Complete 1 line in Part 3 for each Advance identified in Part 1 with respect to which the Borrower elects (1) to have the maturity extended to a new Maturity Date other than the next date to occur that is the last day of a calendar quarter, and/or (2) to have either the "equal principal payments" or the "graduated principal payments" method for the repayment of principal apply to any Advance for which no method for repayment of principal is presently in effect, or, if either the "equal principal payments" or the "graduated principal payments" method for the repayment of principal is presently in effect for any Advance identified in Part 1, to change from that method to the "level debt service" method for the repayment of principal of that Advance.

⁶For each Advance, insert the amount of principal for which the maturity is to be extended. That amount must equal the difference between the "Outstanding Principal Amount" for the respective Advance, as specified in Part 1, and the "Total Amount of Principal to Be Paid" for such Advance inserted by the Borrower in Part 2.

⁷For each Advance, insert the particular calendar date that the Borrower selects to be the new Maturity Date to be in effect for the respective Advance after the Maturity Extension. This date (a) must be the last day of a calendar quarter, (b) may not be later than the "Final Maturity Date" specified on page 1 of the Note, and (c) may not be less than one complete calendar quarter from the effective date of the last Maturity Extension.

⁸Select 1 of the following 3 methods for the repayment of principal for an Advance only if the Maturity Date selected for such Advance will occur on or after the "First Principal Payment Date" specified on page 1 of the Note. The 3 methods for the repayment of principal are: the "equal principal installments" method ("P"), the "graduated principal installments" method ("G"), and the "level debt service" method ("L"). Insert in the box the letter-symbol for the particular principal repayment method selected.

⁹Elect 1 of the following 2 types of prepayment/refinancing privilege for an Advance only if the new Maturity Date selected for such Advance will occur on or after the fifth anniversary of the effective date of this Maturity Extension. The 2 types of prepayment/refinancing privilege are: the "market value premium (or discount)" privilege ("M") and a "fixed premium" privilege ("F"). Insert in the box the letter-symbol for the particular type of prepayment/refinancing privilege elected.

¹⁰Elect 1 of the following 2 no-call period options for an Advance only if a "fixed premium" privilege is elected as the prepayment/refinancing privilege for such Advance. The 2 no-call period options are: yes ("Y"), if the Borrower elects to have the fixed premium prepayment/refinancing privilege include a 5-year period during which the Advance will not be eligible for prepayment or

(10-01)

RUS

refinancing, and no ("N"), if the Borrower elects to have the fixed premium prepayment/refinancing privilege not include any such a 5-year no-call period. Insert in the box the letter-symbol for the particular no-call period option elected.

¹¹Select 1 of the following 3 premium options for an Advance only if a "fixed premium" privilege is elected as the prepayment/refinancing privilege for such Advance. The 3 premium options are: a 10% premium declining over 10 years ("X"), a 5% premium declining over 5 years ("V"), and par (no premium) ("P"). Insert in the box the letter-symbol for the particular premium option selected.

APPENDIX 1
 TO
 MATURITY EXTENSION ELECTION NOTICE
 (for identifying additional Advances with respect
 to which the Borrower elects to extend the maturity)

Part 1 (To be completed by RUS):

<u>FFB ADVANCE IDENTIFIER</u>	<u>RUS ACCOUNT NUMBER</u>	<u>ORIGINAL ADVANCE DATE</u>	<u>ORIGINAL ADVANCE AMOUNT</u>	<u>OUTSTANDING PRINCIPAL AMOUNT</u>	<u>PRINCIPAL INSTALLMENT DUE</u>
_____	_____	_____	\$ _____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____	\$ _____

Part 2:

<u>FFB ADVANCE IDENTIFIER</u>	<u>PRINCIPAL INSTALLMENT DUE</u>	<u>OPTIONAL ADDITIONAL PRINCIPAL PAYMENT</u>	<u>TOTAL AMOUNT OF PRINCIPAL TO BE PAID</u>
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____

Part 3:

<u>FFB ADVANCE IDENTIFIER</u>	<u>PRINCIPAL TO BE EXTENDED</u>	<u>AMOUNT OF NEW MATURITY DATE</u>	<u>PRINCIPAL REPAYMENT METHOD</u>	<u>PREPAY'T/ REFINAN'G PRIVILEGE</u>	<u>TYPE OF 5-YEAR NO-CALL PERIOD</u>	<u>PREMIUM OPTION</u>
_____	\$ _____	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	\$ _____	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	\$ _____	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

RUS

ANNEX B-2

TO

NEW LOAN NOTE

FORM

OF

MATURITY EXTENSION ELECTION NOTICE

(RUS APPROVAL REQUIRED)

**MATURITY EXTENSION ELECTION NOTICE
(RUS APPROVAL REQUIRED)**

PART 1 OF THIS FORM HAS BEEN COMPLETED BY RUS. THE BORROWER SHOULD COMPLETE PARTS 2 AND 3 OF THIS FORM ONLY FOR THOSE PARTICULAR ADVANCES IDENTIFIED IN PART 1 OF THIS FORM WITH RESPECT TO WHICH THE BORROWER ELECTS (1) TO HAVE THE MATURITY EXTENDED TO A NEW MATURITY DATE OTHER THAN THE IMMEDIATELY FOLLOWING QUARTERLY PAYMENT DATE, AND/OR (2) TO HAVE EITHER THE "EQUAL PRINCIPAL PAYMENTS" OR THE "GRADUATED PRINCIPAL PAYMENTS" METHOD FOR THE REPAYMENT OF PRINCIPAL APPLY TO ANY ADVANCE FOR WHICH NO METHOD FOR REPAYMENT OF PRINCIPAL IS PRESENTLY IN EFFECT, OR, IF EITHER THE "EQUAL PRINCIPAL PAYMENTS" OR THE "GRADUATED PRINCIPAL PAYMENTS" METHOD FOR THE REPAYMENT OF PRINCIPAL IS PRESENTLY IN EFFECT FOR ANY ADVANCE IDENTIFIED IN PART 1 OF THIS FORM, TO CHANGE FROM THAT METHOD TO THE "LEVEL DEBT SERVICE" METHOD FOR THE REPAYMENT OF PRINCIPAL OF THAT ADVANCE.

DIRECT ALL QUESTIONS ON HOW TO COMPLETE THIS FORM TO THE ASSIGNED CONTACT OFFICE FOR THE BORROWER:

For Electric Borrowers: Power Supply Division, RUS -- telephone no.: (202) 720-6436
Northern Regional Division, RUS -- telephone no.: (202) 720-1420
Southern Regional Division, RUS -- telephone no.: (202) 720-0848

For Telephone Borrowers: Northeast Area, RUS -- telephone no.: (202) 690-4673
Southeast Area, RUS -- telephone no.: (202) 720-0715
Northwest Area, RUS -- telephone no.: (202) 720-1025
Southwest Area, RUS -- telephone no.: (202) 720-0800

WHEN COMPLETED, DELIVER THIS ORIGINAL FORM TO RUS AT THE ADDRESS OF THE CONTACT OFFICE INDICATED BELOW:

USDA - Rural Utilities Service

For Electric Borrowers: Stop 1568, Power Supply Division
Stop 1566, Northern Regional Division
Stop 1567, Southern Regional Division

For Telephone Borrowers: Stop 1599, Northeast Area
Stop 1596, Southeast Area
Stop 1595, Northwest Area
Stop 1597, Southwest Area

1400 Independence Avenue, S.W.
Washington, D.C. 20250

MATURITY EXTENSION ELECTION NOTICE

Manager
Federal Financing Bank

Reference is made to the following-described Future Advance Promissory Note (the "Note") payable to the Federal Financing Bank ("FFB"), which is guaranteed by the Rural Utilities Service ("RUS"):

Name of Borrower (the "Borrower"):

FFB Note Identifier:

RUS Note Number:

Part 1 (To be completed by RUS):

Each of the advances of funds ("Advances") identified in this Part 1 will mature on _____ (the "Maturity Date").

<u>FFB ADVANCE IDENTIFIER</u>	<u>RUS ACCOUNT NUMBER</u>	<u>ORIGINAL ADVANCE DATE</u>	<u>ORIGINAL ADVANCE AMOUNT</u>	<u>OUTSTANDING PRINCIPAL AMOUNT</u>	<u>PRINCIPAL INSTALLMENT DUE</u>
_____	_____	_____	\$ _____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____	\$ _____

Part 2:

For each of the Advances identified in this Part 2, the respective amount of principal that the Borrower will pay on the Maturity Date is as follows:

<u>FFB ADVANCE IDENTIFIER¹</u>	<u>PRINCIPAL INSTALLMENT DUE²</u>	<u>OPTIONAL ADDITIONAL PRINCIPAL PAYMENT³</u>	<u>TOTAL AMOUNT OF PRINCIPAL TO BE PAID⁴</u>
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____

Part 3:

Notice is hereby given to FFB (and RUS) of the Borrower's election that the maturity of each of the Advances identified in Part 2 be extended as follows:

<u>FFB ADVANCE IDENTIFIER⁵</u>	<u>AMOUNT OF PRINCIPAL TO BE EXTENDED⁶</u>	<u>NEW MATURITY DATE⁷</u>	<u>PRINCIPAL REPAYMENT METHOD⁸</u>	<u>TYPE OF PREPAY'T/ REFINAN'G PRIVILEGE⁹</u>	<u>5-YEAR NO-CALL PERIOD¹⁰</u>	<u>PREMIUM OPTION¹¹</u>
_____	\$ _____	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	\$ _____	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	\$ _____	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	\$ _____	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The undersigned hereby certifies that the authority of the undersigned to execute and deliver this Maturity Extension Election Notice on behalf of the Borrower is valid and in full force and effect on the date hereof.

(Name of Borrower)

By: _____

Name: _____

Title: _____

Date: _____

**NOTICE OF RUS APPROVAL OF
MATURITY EXTENSION ELECTION NOTICE**

Notice is hereby given to FFB that the preceding Maturity Extension Election Notice made by the Borrower identified therein has been approved by RUS for purposes of the Note identified therein.

ADMINISTRATOR of the
RURAL UTILITIES SERVICE,
acting through his or her
duly authorized designee.

By: _____

Name: _____

Title: _____

Date: _____

INSTRUCTIONS

THE BORROWER SHOULD NOT COMPLETE THIS FORM OR DELIVER IT TO FFB OR RUS IF THE BORROWER DESIRES (1) TO HAVE THE MATURITY OF ALL OF THE ADVANCES IDENTIFIED IN PART 1 OF THIS FORM EXTENDED AUTOMATICALLY TO THE IMMEDIATELY FOLLOWING QUARTERLY PAYMENT DATE, AND (2) IF THE MATURITY DATE SPECIFIED IN PART 1 OF THIS FORM WILL OCCUR ON OR AFTER THE "FIRST PRINCIPAL PAYMENT DATE" SPECIFIED ON PAGE 1 OF THE NOTE, TO HAVE THE "LEVEL DEBT SERVICE" METHOD FOR THE REPAYMENT OF PRINCIPAL APPLY TO EACH ADVANCE FOR WHICH NO METHOD FOR THE REPAYMENT OF PRINCIPAL IS PRESENTLY IN EFFECT, AND, FOR THOSE ADVANCES FOR WHICH A METHOD FOR THE REPAYMENT OF PRINCIPAL IS PRESENTLY IN EFFECT, TO HAVE THE SAME METHOD FOR THE REPAYMENT OF PRINCIPAL THAT APPLIES TO EACH ADVANCE BEFORE THE MATURITY DATE CONTINUE TO APPLY TO EACH ADVANCE, RESPECTIVELY.

IF THE BORROWER DOES NOT RETURN THIS FORM TO FFB OR RUS, (1) THE MATURITY OF ALL OF THE ADVANCES IDENTIFIED IN PART 1 OF THIS FORM WILL BE EXTENDED AUTOMATICALLY TO THE IMMEDIATELY FOLLOWING QUARTERLY PAYMENT DATE, AND (2) IF THE MATURITY DATE SPECIFIED IN PART 1 OF THIS FORM WILL OCCUR ON OR AFTER THE "FIRST PRINCIPAL PAYMENT DATE" SPECIFIED ON PAGE 1 OF THE NOTE, THE "LEVEL DEBT SERVICE" METHOD FOR THE REPAYMENT OF PRINCIPAL WILL APPLY TO EACH ADVANCE FOR WHICH NO METHOD FOR THE REPAYMENT OF PRINCIPAL IS PRESENTLY IN EFFECT, AND, FOR THOSE ADVANCES FOR WHICH A METHOD FOR THE REPAYMENT OF PRINCIPAL IS PRESENTLY IN EFFECT, THE SAME METHOD FOR THE REPAYMENT OF PRINCIPAL THAT APPLIES TO EACH ADVANCE BEFORE THE MATURITY DATE WILL CONTINUE TO APPLY TO EACH ADVANCE, RESPECTIVELY.

¹Complete 1 line in Part 2 for each Advance identified in Part 1 with respect to which the Borrower elects (1) to have the maturity extended to a new Maturity Date other than the next date to occur that is the last day of a calendar quarter, and/or (2) to have either the "equal principal payments" or the "graduated principal payments" method for the repayment of principal apply to any Advance for which no method for repayment of principal is presently in effect, or, if either the "equal principal payments" or the "graduated principal payments" method for the repayment of principal is presently in effect for any Advance identified in Part 1, to change from that method to the "level debt service" method for the repayment of principal of that Advance.

²For each Advance, insert the "Principal Installment Due" for the respective Advance, as specified in Part 1.

³The Borrower has the option of making an additional payment of principal on the Maturity Date without any premium being charged. For each Advance, insert the amount of any optional additional principal payment that will be paid on the Maturity Date.

⁴For each Advance, insert the total amount of principal that will be paid on the Maturity Date. That amount must be equal to the sum of the "Principal Installment Due" for the respective Advance, as specified in Part 1, and the amount (if any) inserted by the Borrower as an "Optional Additional Principal Payment."

⁵Complete 1 line in Part 3 for each Advance identified in Part 1 with respect to which the Borrower elects (1) to have the maturity extended to a new Maturity Date other than the next date to occur that is the last day of a calendar quarter, and/or (2) to have either the "equal principal payments" or the "graduated principal payments" method for the repayment of principal apply to any

Advance for which no method for repayment of principal is presently in effect, or, if either the "equal principal payments" or the "graduated principal payments" method for the repayment of principal is presently in effect for any Advance identified in Part 1, to change from that method to the "level debt service" method for the repayment of principal of that Advance.

⁶For each Advance, insert the amount of principal for which the maturity is to be extended. That amount must equal the difference between the "Outstanding Principal Amount" for the respective Advance, as specified in Part 1, and the "Total Amount of Principal to Be Paid" for such Advance inserted by the Borrower in Part 2.

⁷For each Advance, insert the particular calendar date that the Borrower selects to be the new Maturity Date to be in effect for the respective Advance after the Maturity Extension. This date (a) must be the last day of a calendar quarter, (b) may not be later than the "Final Maturity Date" specified on page 1 of the Note, and (c) may not be less than one complete calendar quarter from the effective date of the last Maturity Extension.

⁸Select 1 of the following 3 methods for the repayment of principal for an Advance only if the Maturity Date selected for such Advance will occur on or after the "First Principal Payment Date" specified on page 1 of the Note. The 3 methods for the repayment of principal are: the "equal principal installments" method ("P"), the "graduated principal installments" method ("G"), and the "level debt service" method ("L"). Insert in the box the letter-symbol for the particular principal repayment method selected.

⁹Select 1 of the following 2 types of prepayment/refinancing privilege for an Advance only if the new Maturity Date selected for such Advance will occur on or after the fifth anniversary of the effective date of this Maturity Extension. The 2 types of prepayment/refinancing privilege are: the "market value premium (or discount)" privilege ("M") and a "fixed premium" privilege ("F"). Insert in the box the letter-symbol for the particular type of prepayment/refinancing privilege elected.

¹⁰Select 1 of the following 2 no-call period options for an Advance only if a "fixed premium" privilege is elected as the prepayment/refinancing privilege for such Advance. The 2 no-call period options are: yes ("Y"), if the Borrower elects to have the fixed premium prepayment/refinancing privilege include a 5-year period during which the Advance will not be eligible for prepayment or refinancing, and no ("N"), if the Borrower elects to have the fixed premium prepayment/refinancing privilege not include any such a 5-year no-call period. Insert in the box the letter-symbol for the particular no-call period option elected.

¹¹Select 1 of the following 3 premium options for an Advance only if a "fixed premium" privilege is elected as the prepayment/refinancing privilege for such Advance. The 3 premium options are: a 10% premium declining over 10 years ("X"), a 5% premium declining over 5 years ("V"), and par (no premium) ("P"). Insert in the box the letter-symbol for the particular premium option selected.

APPENDIX 1
 TO
 MATURITY EXTENSION ELECTION NOTICE
 (for identifying additional Advances with respect
 to which the Borrower elects to extend the maturity)

Part 1 (To be completed by RUS):

<u>FFB ADVANCE IDENTIFIER</u>	<u>RUS ACCOUNT NUMBER</u>	<u>ORIGINAL ADVANCE DATE</u>	<u>ORIGINAL ADVANCE AMOUNT</u>	<u>OUTSTANDING PRINCIPAL AMOUNT</u>	<u>PRINCIPAL INSTALLMENT DUE</u>
_____	_____	_____	\$ _____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____	\$ _____

Part 2:

<u>FFB ADVANCE IDENTIFIER</u>	<u>PRINCIPAL INSTALLMENT DUE</u>	<u>OPTIONAL ADDITIONAL PRINCIPAL PAYMENT</u>	<u>TOTAL AMOUNT OF PRINCIPAL TO BE PAID</u>
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____

Part 3:

<u>FFB ADVANCE IDENTIFIER</u>	<u>PRINCIPAL TO BE EXTENDED</u>	<u>AMOUNT OF NEW MATURITY DATE</u>	<u>PRINCIPAL REPAYMENT METHOD</u>	<u>PREPAY'T/ REFINAN'G PRIVILEGE</u>	<u>TYPE OF 5-YEAR NO-CALL PERIOD</u>	<u>PREMIUM OPTION</u>
_____	\$ _____	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	\$ _____	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	\$ _____	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

RUS

ANNEX C-1

TO

NEW LOAN NOTE

FORM

OF

PREPAYMENT ELECTION NOTICE

SPECIFIED PRINCIPAL AMOUNT(S)

(RUS APPROVAL REQUIRED)

**PREPAYMENT ELECTION NOTICE
SPECIFIED PRINCIPAL AMOUNT(S)
(RUS APPROVAL REQUIRED)**

DIRECT ALL QUESTIONS ON HOW TO COMPLETE THIS FORM TO THE ASSIGNED CONTACT OFFICE FOR THE BORROWER:

For Electric Borrowers: Power Supply Division, RUS -- telephone no.: (202) 720-6436
Northern Regional Division, RUS -- telephone no.: (202) 720-1420
Southern Regional Division, RUS -- telephone no.: (202) 720-0848

For Telephone Borrowers: Northeast Area, RUS -- telephone no.: (202) 690-4673
Southeast Area, RUS -- telephone no.: (202) 720-0715
Northwest Area, RUS -- telephone no.: (202) 720-1025
Southwest Area, RUS -- telephone no.: (202) 720-0800

WHEN COMPLETED, DELIVER THIS ORIGINAL FORM TO RUS AT THE ADDRESS OF THE CONTACT OFFICE INDICATED BELOW:

USDA - Rural Utilities Service

For Electric Borrowers: Stop 1568, Power Supply Division
Stop 1566, Northern Regional Division
Stop 1567, Southern Regional Division

For Telephone Borrowers: Stop 1599, Northeast Area
Stop 1596, Southeast Area
Stop 1595, Northwest Area
Stop 1597, Southwest Area

1400 Independence Avenue, S.W.
Washington, D.C. 20250

PREPAYMENT ELECTION NOTICE
SPECIFIED PRINCIPAL AMOUNT(S)

Manager
Federal Financing Bank

Reference is made to the following-described Future Advance Promissory Note (the "Note") payable to the Federal Financing Bank ("FFB"), which is guaranteed by the Rural Utilities Service ("RUS"):

Name of Borrower (the "Borrower"):

_____ 1

FFB Note Identifier:

_____ 2

Part 1:

Notice is hereby given to FFB (and RUS) of the Borrower's election to prepay all or a portion of the outstanding principal amount of the advances of funds ("Advances") identified in this Part 1:

<u>FFB ADVANCE IDENTIFIER³</u>	<u>RUS ACCOUNT NUMBER⁴</u>	<u>ORIGINAL ADVANCE DATE⁵</u>	<u>ORIGINAL ADVANCE AMOUNT⁶</u>	<u>OUTSTANDING PRINCIPAL AMOUNT⁷</u>
_____	_____	_____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____

Part 2:

The Borrower intends to prepay all or a portion of the outstanding principal amount of each of the Advances identified in Part 1 on the following date (such date being the "Intended Prepayment Date"):

_____ 8

Part 3:

For each of the Advances identified in Part 1, the respective amount of principal that the Borrower intends to prepay on the Intended Prepayment Date is as follows:

<u>FFB ADVANCE IDENTIFIER⁹</u>	<u>PRINCIPAL INSTALLMENT DUE (if any)¹⁰</u>	<u>AMOUNT OF PRINCIPAL TO BE PREPAID¹¹</u>	<u>TOTAL AMOUNT OF PRINCIPAL TO BE PAID¹²</u>
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____

The undersigned hereby certifies that the authority of the undersigned to execute and deliver this Prepayment Election Notice on behalf of the Borrower is valid and in full force and effect on the date hereof.

(Name of Borrower)

By: _____

Name: _____

Title: _____

Date: _____

**NOTICE OF RUS APPROVAL OF
PREPAYMENT ELECTION NOTICE**

Notice is hereby given to FFB that the preceding Prepayment Election Notice made by the Borrower identified therein has been approved by RUS for purposes of the Note identified therein.

ADMINISTRATOR of the
RURAL UTILITIES SERVICE,
acting through his or her
duly authorized designee.

By: _____
Name: _____
Title: _____
Date: _____

INSTRUCTIONS

¹Insert the corporate name of the Borrower. If the corporate name of the Borrower at the time of this Advance is different from the corporate name that appears on page 1 of the Note, add "(formerly _____)", and insert in this second blank the corporate name of the Borrower as it appears on page 1 of the Note.

²Insert the "FFB Note Identifier" that FFB assigned to the Note (as provided in the Agreement).

³Complete 1 line in Part 1 for each Advance that the Borrower intends to prepay in whole or in part. For each Advance, insert the "FFB Advance Identifier" for the respective Advance as specified in the most recent billing notice delivered by RUS to the Borrower.

⁴For each Advance, insert the "RUS Account Number" for the respective Advance as specified in the most recent billing notice delivered by RUS to the Borrower.

⁵For each Advance, insert the date on which FFB made the respective Advance to the Borrower.

⁶For each Advance, insert the original principal amount of the respective Advance that FFB made to the Borrower (or that the Borrower assumed).

⁷Insert the "Outstanding Principal Amount" of each Advance specified in Part 1 as of the day before the date on which the Borrower intends to make a prepayment on the respective Advances.

⁸Insert the particular calendar date that the Borrower selects to be the date on which the Borrower intends to prepay the Advances specified in Part 1. This date (a) must be a day on which FFB and the Federal Reserve Bank of New York are both open for business, and (b) with respect to any Advance for which the Borrower has selected a fixed premium prepayment/refinancing privilege that includes a 5-year period during which such Advance shall not be eligible for any prepayment or refinancing, may not be a date that will occur before the expiration of such 5-year no-call period.

⁹Complete 1 line in Part 3 for each Advance identified in Part 1.

¹⁰If the Intended Prepayment Date is the last day of a calendar quarter and an installment of principal of any Advance is due on such date, insert the respective "Principal Installment Due" for such Advance on the Intended Prepayment Date as specified in the most recent billing notice delivered by RUS to the Borrower.

¹¹For each Advance, insert the amount of principal that will be prepaid on the Intended Prepayment Date.

¹²For each Advance, insert the total amount of principal that will be paid on the Intended Prepayment Date. That amount must be equal to the sum of any amount inserted by the Borrower in Part 3 as the "Principal Installment Due (if any)" for the respective Advance and the amount inserted by the Borrower in Part 3 as the "Amount of Principal to Be Prepaid" for such Advance.

APPENDIX 1
 TO
 PREPAYMENT ELECTION NOTICE
 SPECIFIED PRINCIPAL AMOUNT(S)
 (for identifying additional Advances that
 the Borrower elects to prepay in whole or in part)

Part 1:

<u>FFB ADVANCE IDENTIFIER</u>	<u>RUS ACCOUNT NUMBER</u>	<u>ORIGINAL ADVANCE DATE</u>	<u>ORIGINAL ADVANCE AMOUNT</u>	<u>OUTSTANDING PRINCIPAL AMOUNT</u>
_____	_____	_____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____

Part 3:

<u>FFB ADVANCE IDENTIFIER</u>	<u>PRINCIPAL INSTALLMENT DUE (if any)</u>	<u>AMOUNT OF PRINCIPAL TO BE PREPAID</u>	<u>TOTAL AMOUNT OF PRINCIPAL TO BE PAID</u>
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____

RUS

ANNEX C-2
TO
NEW LOAN NOTE

FORM
OF
PREPAYMENT ELECTION NOTICE
FIXED SUM TO BE APPLIED
(RUS APPROVAL REQUIRED)

**PREPAYMENT ELECTION NOTICE
FIXED SUM TO BE APPLIED
(RUS APPROVAL REQUIRED)**

DIRECT ALL QUESTIONS ON HOW TO COMPLETE THIS FORM TO THE ASSIGNED CONTACT OFFICE FOR THE BORROWER:

For Electric Borrowers: Power Supply Division, RUS -- telephone no.: (202) 720-6436
Northern Regional Division, RUS -- telephone no.: (202) 720-1420
Southern Regional Division, RUS -- telephone no.: (202) 720-0848

For Telephone Borrowers: Northeast Area, RUS -- telephone no.: (202) 690-4673
Southeast Area, RUS -- telephone no.: (202) 720-0715
Northwest Area, RUS -- telephone no.: (202) 720-1025
Southwest Area, RUS -- telephone no.: (202) 720-0800

WHEN COMPLETED, DELIVER THIS ORIGINAL FORM TO RUS AT THE ADDRESS OF THE CONTACT OFFICE INDICATED BELOW:

USDA - Rural Utilities Service

For Electric Borrowers: Stop 1568, Power Supply Division
Stop 1566, Northern Regional Division
Stop 1567, Southern Regional Division

For Telephone Borrowers: Stop 1599, Northeast Area
Stop 1596, Southeast Area
Stop 1595, Northwest Area
Stop 1597, Southwest Area

1400 Independence Avenue, S.W.
Washington, D.C. 20250

PREPAYMENT ELECTION NOTICE
FIXED SUM TO BE APPLIED

Manager
Federal Financing Bank

Reference is made to the following-described Future Advance Promissory Note (the "Note") payable to the Federal Financing Bank ("FFB"), which is guaranteed by the Rural Utilities Service ("RUS"):

Name of Borrower (the "Borrower"):

_____ 1

FFB Note Identifier:

_____ 2

Part 1:

Notice is hereby given to FFB (and RUS) of the Borrower's election to prepay all or a portion of the outstanding principal amount of the advances of funds ("Advances") identified in this Part 1:

<u>FFB ADVANCE IDENTIFIER³</u>	<u>RUS ACCOUNT NUMBER⁴</u>	<u>ORIGINAL ADVANCE DATE⁵</u>	<u>ORIGINAL ADVANCE AMOUNT⁶</u>	<u>OUTSTANDING PRINCIPAL AMOUNT⁷</u>
_____	_____	_____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____

Part 2:

The Borrower intends to prepay all or a portion of the outstanding principal amount of the Advances identified in Part 1 on the following date (such date being the "Intended Prepayment Date"):

_____ 8

Part 3:

The Borrower elects to have the following amount of funds applied by FFB toward a prepayment of the outstanding principal amount of the Advances identified in Part 1, in the order in which they appear in Part 1:

_____ ,

The undersigned hereby certifies that the authority of the undersigned to execute and deliver this Prepayment Election Notice on behalf of the Borrower is valid and in full force and effect on the date hereof.

(Name of Borrower)

By: _____

Name: _____

Title: _____

Date: _____

**NOTICE OF RUS APPROVAL OF
PREPAYMENT ELECTION NOTICE**

Notice is hereby given to FFB that the preceding Prepayment Election Notice made by the Borrower identified therein has been approved by RUS for purposes of the Note identified therein.

ADMINISTRATOR of the
RURAL UTILITIES SERVICE,
acting through his or her
duly authorized designee.

By: _____

Name: _____

Title: _____

Date: _____

INSTRUCTIONS

¹Insert the corporate name of the Borrower. If the corporate name of the Borrower at the time of this Advance is different from the corporate name that appears on page 1 of the Note, add "(formerly _____)", and insert in this second blank the corporate name of the Borrower as it appears on page 1 of the Note.

²Insert the "FFB Note Identifier" that FFB assigned to the Note (as provided in the Agreement).

³Complete 1 line in Part 1 for each Advance that the Borrower intends to prepay in whole or in part. For each Advance, insert the "FFB Advance Identifier" for the respective Advance as specified in the most recent billing notice delivered by RUS to the Borrower.

⁴For each Advance, insert the "RUS Account Number" for the respective Advance as specified in the most recent billing notice delivered by RUS to the Borrower.

⁵For each Advance, insert the date on which FFB made the respective Advance to the Borrower.

⁶For each Advance, insert the original principal amount of the respective Advance that FFB made to the Borrower (or that the Borrower assumed).

⁷Insert the "Outstanding Principal Amount" of each Advance specified in Part 1 as of the day before the date on which the Borrower intends to make a prepayment on the respective Advances.

⁸Insert the particular calendar date that the Borrower selects to be the date on which the Borrower intends to prepay the Advances specified in Part 1. This date (a) must be a day on which FFB and the Federal Reserve Bank of New York are both open for business, and (b) with respect to any Advance for which the Borrower has selected a fixed premium prepayment/refinancing privilege that includes a 5-year period during which such Advance shall not be eligible for any prepayment or refinancing, may not be a date that will occur before the expiration of such 5-year no-call period.

⁹Insert the particular amount of funds that the Borrower elects to be applied by FFB toward a prepayment of the outstanding principal amount of the Advances identified in Part 1, in the order in which they appear in Part 1.

APPENDIX 1
TO
PREPAYMENT ELECTION NOTICE
FIXED SUM TO BE APPLIED
(for identifying additional Advances that
the Borrower elects to prepay in whole or in part)

Part 1:

<u>FFB ADVANCE IDENTIFIER</u>	<u>RUS ACCOUNT NUMBER</u>	<u>ORIGINAL ADVANCE DATE</u>	<u>ORIGINAL ADVANCE AMOUNT</u>	<u>OUTSTANDING PRINCIPAL AMOUNT</u>
_____	_____	_____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____

RUS

ANNEX D-1

TO

NEW LOAN NOTE

FORM

OF

REFINANCING ELECTION NOTICE

REFINANCING ELECTION NOTICE

DIRECT ALL QUESTIONS ON HOW TO COMPLETE THIS FORM TO THE ASSIGNED CONTACT OFFICE FOR THE BORROWER:

For Electric Borrowers: Power Supply Division, RUS -- telephone no.: (202) 720-6436
Northern Regional Division, RUS -- telephone no.: (202) 720-1420
Southern Regional Division, RUS -- telephone no.: (202) 720-0848

For Telephone Borrowers: Northeast Area, RUS -- telephone no.: (202) 690-4673
Southeast Area, RUS -- telephone no.: (202) 720-0715
Northwest Area, RUS -- telephone no.: (202) 720-1025
Southwest Area, RUS -- telephone no.: (202) 720-0800

WHEN COMPLETED, DELIVER THIS ORIGINAL FORM TO FFB AT THE FOLLOWING ADDRESS:

Manager
Federal Financing Bank
Room SC 1, Main Treasury Building
1500 Pennsylvania Avenue, N.W.
Washington, D.C. 20220

DELIVER A COPY OF THIS FORM TO RUS AT THE ADDRESS OF THE CONTACT OFFICE INDICATED BELOW:

USDA - Rural Utilities Service

For Electric Borrowers: Stop 1568, Power Supply Division
Stop 1566, Northern Regional Division
Stop 1567, Southern Regional Division

For Telephone Borrowers: Stop 1599, Northeast Area
Stop 1596, Southeast Area
Stop 1595, Northwest Area
Stop 1597, Southwest Area

1400 Independence Avenue, S.W.
Washington, D.C. 20250

REFINANCING ELECTION NOTICE

Manager
Federal Financing Bank

Reference is made to the following-described Future Advance Promissory Note (the "Note") payable to the Federal Financing Bank ("FFB"), which is guaranteed by the Rural Utilities Service ("RUS"):

Name of Borrower (the "Borrower"):

_____ 1

FFB Note Identifier:

_____ 2

Part 1:

Notice is hereby given to FFB (and RUS) of the Borrower's election to refinance the outstanding principal amount of each of the advances of funds ("Advances") identified in this Part 1:

<u>FFB ADVANCE IDENTIFIER³</u>	<u>RUS ACCOUNT NUMBER⁴</u>	<u>ORIGINAL ADVANCE DATE⁵</u>	<u>ORIGINAL ADVANCE AMOUNT⁶</u>	<u>OUTSTANDING PRINCIPAL AMOUNT⁷</u>
_____	_____	_____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____

Part 2:

The Borrower intends to refinance the outstanding principal amount of each of the Advances identified in Part 1 on the following date (such date being the "Intended Refinancing Date"):

_____ 8

For each of the Advances identified in Part 1, the Borrower intends to pay on the Intended Refinancing Date the following amount of principal:

<u>FFB ADVANCE IDENTIFIER</u> ⁹	<u>PRINCIPAL INSTALLMENT DUE</u> ¹⁰	<u>OPTIONAL ADDITIONAL PRINCIPAL PAYMENT</u> ¹¹	<u>TOTAL AMOUNT OF PRINCIPAL TO BE PAID</u> ¹²
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____

Part 3:

Notice is hereby given to FFB (and RUS) of the Borrower's election that each of the Advances identified in Part 1 is to be refinanced as follows:

<u>FFB ADVANCE IDENTIFIER</u> ¹³	<u>AMOUNT OF PRINCIPAL TO BE REFINANCED</u> ¹⁴	<u>NEW MATURITY DATE</u> ¹⁵	<u>PRINCIPAL REPAYMENT METHOD</u> ¹⁶	<u>TYPE OF PREPAY'T/ REFINAN'G PRIVILEGE</u> ¹⁷	<u>5-YEAR NO-CALL PERIOD</u> ¹⁸	<u>PREMIUM OPTION</u> ¹⁹
_____	\$ _____	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	\$ _____	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	\$ _____	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The undersigned hereby certifies that the authority of the undersigned to execute and deliver this Refinancing Election Notice on behalf of the Borrower is valid and in full force and effect on the date hereof.

(Name of Borrower)

By: _____

Name: _____

Title: _____

Date: _____

INSTRUCTIONS

¹Insert the corporate name of the Borrower. If the corporate name of the Borrower at the time of this Advance is different from the corporate name that appears on page 1 of the Note, add "(formerly _____)", and insert in this second blank the corporate name of the Borrower as it appears on page 1 of the Note.

²Insert the "FFB Note Identifier" that FFB assigned to the Note (as provided in the Agreement).

³Complete 1 line in Part 1 for each Advance that the Borrower intends to refinance. For each Advance, insert the "FFB Identifier" for the respective Advance as specified in the most recent billing notice delivered by RUS to the Borrower.

⁴For each Advance, insert the "RUS Account Number" for the respective Advance as specified in the most recent billing notice delivered by RUS to the Borrower.

⁵For each Advance, insert the date on which FFB made the respective Advance to the Borrower.

⁶For each Advance, insert the original principal amount of the respective Advance that FFB made to the Borrower (or that the Borrower assumed).

⁷For each Advance, insert the "Outstanding Principal Amount" of the respective Advance as of the day before the Intended Refinancing Date (i.e., the outstanding principal amount of such Advance before the Borrower pays the "Principal Installment Due" for such Advance inserted by the Borrower in Part 2.

⁸Insert the particular calendar date that the Borrower selects to be the date on which the Borrower intends to refinance the Advances specified in Part 1. This date (a) must be the last day of a calendar quarter, and (b) with respect to any Advance for which the Borrower has selected a fixed premium prepayment/ refinancing privilege that includes a 5-year period during which such Advance

shall not be eligible for any prepayment or refinancing, may not be a date that will occur before the expiration of such 5-year no-call period.

⁹Complete 1 line in Part 2 for each Advance identified in Part 1.

¹⁰For each Advance, insert the "Principal Installment Due" for the respective Advance on the Intended Refinancing Date as specified in the most recent billing notice delivered by RUS to the Borrower.

¹¹The Borrower has the option of making an additional payment of principal on the Intended Refinancing Date without any additional premium being charged for such additional payment of principal. For each Advance, insert the amount of any optional additional principal payment that will be paid on the Intended Refinancing Date.

¹²For each Advance, insert the total amount of principal that will be paid on the Intended Refinancing Date. That amount must be equal to the sum of the "Principal Installment Due" for the respective Advance inserted by the Borrower in Part 2 and any amount inserted by the Borrower as an "Optional Additional Principal Payment."

¹³Complete 1 line in Part 3 for each Advance.

¹⁴For each Advance, insert the amount of principal that is to be refinanced. That amount must equal the difference between the "Outstanding Principal Amount" for the respective Advance inserted by the Borrower in Part 1 and the "Total Amount of Principal to Be Paid" for such Advance inserted by the Borrower in Part 2.

¹⁵For each Advance, insert the particular calendar date that the Borrower selects to be the date on which the respective Advance is to mature after the refinancing. This date may be either the same maturity date that was in effect for the respective Advance immediately before the refinancing or a new maturity date. If the Borrower selects a new maturity date for the respective Advance, this date (a) must be the last day of a calendar quarter, (b) may not be later than the "Final Maturity Date" specified on page 1 of the Note, and (c) may not be less than one complete calendar quarter from the effective date of the refinancing.

¹⁶Select 1 of the following 3 methods for the repayment of principal for an Advance only if the Maturity Date selected for such Advance will occur on or after the "First Principal Payment Date" specified on page 1 of the Note. The 3 methods for the repayment of principal are: the "equal principal installments" method ("P"), the "graduated principal installments" method ("G"), and the "level debt service" method ("L"). Insert in the box the letter-symbol for the particular principal repayment method selected.

¹⁷Select 1 of the following 2 types of prepayment/refinancing privileges for an Advance only if the new Maturity Date selected for such Advance will occur on or after the fifth anniversary of the effective date of this Maturity Extension. The 2 types of prepayment/refinancing privilege are: the "market value premium (or discount)" privilege ("M") and a "fixed premium" privilege ("F"). Insert in the box the letter-symbol for the particular type of prepayment/refinancing privilege elected.

¹⁸Select 1 of the following 2 no-call period options for an Advance only if a "fixed premium" privilege is elected as the prepayment/refinancing privilege for such Advance. The 2 no-call period options are: yes ("Y"), if the Borrower elects to have the fixed premium prepayment/refinancing privilege include a 5-year period during which the Advance will not be eligible for prepayment or refinancing, and no ("N"), if the Borrower elects to have the fixed premium prepayment/refinancing privilege not include any such a 5-year no-call period. Insert in the box the letter-symbol for the particular no-call period option elected.

¹⁹Select 1 of the following 3 premium options for an Advance only if a "fixed premium" privilege is elected as the prepayment/refinancing privilege for such Advance. The 3 premium options are: a 10% premium declining over 10 years ("X"),

(10-01)

RUS

a 5% premium declining over 5 years ("V"), and par (no premium) ("P"). Insert in the box the letter-symbol for the particular premium option selected.

APPENDIX 1
 TO
 REFINANCING ELECTION NOTICE
 (for identifying additional Advances
 that the Borrower elects to refinance)

Part 1:

<u>FFB ADVANCE IDENTIFIER</u>	<u>RUS ACCOUNT NUMBER</u>	<u>ORIGINAL ADVANCE DATE</u>	<u>ORIGINAL ADVANCE AMOUNT</u>	<u>OUTSTANDING PRINCIPAL AMOUNT</u>
_____	_____	_____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____

Part 2:

<u>FFB ADVANCE IDENTIFIER</u>	<u>PRINCIPAL INSTALLMENT DUE</u>	<u>ADDITIONAL PRINCIPAL PAYMENT</u>	<u>PRINCIPAL AMOUNT TO BE PAID</u>
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____

Part 3:

<u>FFB ADVANCE IDENTIFIER</u>	<u>AMOUNT OF PRINCIPAL TO BE REFINANCED</u>	<u>NEW MATURITY DATE</u>	<u>PRINCIPAL REPAYMENT METHOD</u>	<u>TYPE OF PREPAY'T/ REFINAN'G PRIVILEGE</u>	<u>5-YEAR NO-CALL PERIOD</u>	<u>PREMIUM OPTION</u>
_____	\$ _____	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	\$ _____	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	\$ _____	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

RUS

ANNEX D-2

TO

NEW LOAN NOTE

FORM

OF

REFINANCING ELECTION NOTICE

(RUS APPROVAL REQUIRED)

**REFINANCING ELECTION NOTICE
(RUS APPROVAL REQUIRED)**

DIRECT ALL QUESTIONS ON HOW TO COMPLETE THIS FORM TO THE ASSIGNED CONTACT OFFICE FOR THE BORROWER:

For Electric Borrowers: Power Supply Division, RUS -- telephone no.: (202) 720-6436
Northern Regional Division, RUS -- telephone no.: (202) 720-1420
Southern Regional Division, RUS -- telephone no.: (202) 720-0848

For Telephone Borrowers: Northeast Area, RUS -- telephone no.: (202) 690-4673
Southeast Area, RUS -- telephone no.: (202) 720-0715
Northwest Area, RUS -- telephone no.: (202) 720-1025
Southwest Area, RUS -- telephone no.: (202) 720-0800

WHEN COMPLETED, DELIVER THIS ORIGINAL FORM TO RUS AT THE ADDRESS OF THE CONTACT OFFICE INDICATED BELOW:

USDA - Rural Utilities Service

For Electric Borrowers: Stop 1568, Power Supply Division
Stop 1566, Northern Regional Division
Stop 1567, Southern Regional Division

For Telephone Borrowers: Stop 1599, Northeast Area
Stop 1596, Southeast Area
Stop 1595, Northwest Area
Stop 1597, Southwest Area

1400 Independence Avenue, S.W.
Washington, D.C. 20250

REFINANCING ELECTION NOTICE

Manager
Federal Financing Bank

Reference is made to the following-described Future Advance Promissory Note (the "Note") payable to the Federal Financing Bank ("FFB"), which is guaranteed by the Rural Utilities Service ("RUS"):

Name of Borrower (the "Borrower"):

_____ 1

FFB Note Identifier:

_____ 2

Part 1:

Notice is hereby given to FFB (and RUS) of the Borrower's election to refinance the outstanding principal amount of each of the advances of funds ("Advances") identified in this Part 1:

<u>FFB ADVANCE IDENTIFIER³</u>	<u>RUS ACCOUNT NUMBER⁴</u>	<u>ORIGINAL ADVANCE DATE⁵</u>	<u>ORIGINAL ADVANCE AMOUNT⁶</u>	<u>OUTSTANDING PRINCIPAL AMOUNT⁷</u>
_____	_____	_____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____

Part 2:

The Borrower intends to refinance the outstanding principal amount of each of the Advances identified in Part 1 on the following date (such date being the "Intended Refinancing Date"):

_____ 8

For each of the Advances identified in Part 1, the Borrower intends to pay on the Intended Refinancing Date the following amount of principal:

<u>FFB ADVANCE IDENTIFIER</u> ⁹	<u>PRINCIPAL INSTALLMENT DUE</u> ¹⁰	<u>OPTIONAL ADDITIONAL PRINCIPAL PAYMENT</u> ¹¹	<u>TOTAL AMOUNT OF PRINCIPAL TO BE PAID</u> ¹²
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____

Part 3:

Notice is hereby given to FFB (and RUS) of the Borrower's election that each of the Advances identified in Part 1 is to be refinanced as follows:

<u>FFB ADVANCE IDENTIFIER</u> ¹³	<u>AMOUNT OF PRINCIPAL TO BE REFINANCED</u> ¹⁴	<u>NEW MATURITY DATE</u> ¹⁵	<u>PRINCIPAL REPAYMENT METHOD</u> ¹⁶	<u>TYPE OF PREPAY'T/ REFINAN'G PRIVILEGE</u> ¹⁷	<u>5-YEAR NO-CALL PERIOD</u> ¹⁸	<u>PREMIUM OPTION</u> ¹⁹
_____	\$ _____	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	\$ _____	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	\$ _____	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The undersigned hereby certifies that the authority of the undersigned to execute and deliver this Refinancing Election Notice on behalf of the Borrower is valid and in full force and effect on the date hereof.

(Name of Borrower)

By: _____

Name: _____

Title: _____

Date: _____

**NOTICE OF RUS APPROVAL OF
REFINANCING ELECTION NOTICE**

Notice is hereby given to FFB that the preceding Refinancing Election Notice made by the Borrower identified therein has been approved by RUS for purposes of the Note identified therein.

ADMINISTRATOR of the
RURAL UTILITIES SERVICE,
acting through his or her
duly authorized designee.

By: _____

Name: _____

Title: _____

Date: _____

INSTRUCTIONS

¹Insert the corporate name of the Borrower. If the corporate name of the Borrower at the time of this Advance is different from the corporate name that appears on page 1 of the Note, add "(formerly _____)", and insert in this second blank the corporate name of the Borrower as it appears on page 1 of the Note.

²Insert the "FFB Note Identifier" that FFB assigned to the Note (as provided in the Agreement).

³Complete 1 line in Part 1 for each Advance that the Borrower intends to refinance. For each Advance, insert the "FFB Identifier" for the respective Advance as specified in the most recent billing notice delivered by RUS to the Borrower.

⁴For each Advance, insert the "RUS Account Number" for the respective Advance as specified in the most recent billing notice delivered by RUS to the Borrower.

⁵For each Advance, insert the date on which FFB made the respective Advance to the Borrower.

⁶For each Advance, insert the original principal amount of the respective Advance that FFB made to the Borrower (or that the Borrower assumed).

⁷For each Advance, insert the "Outstanding Principal Amount" of the respective Advance as of the day before the Intended Refinancing Date (i.e., the outstanding principal amount of such Advance before the Borrower pays the "Principal Installment Due" for such Advance inserted by the Borrower in Part 2.

⁸Insert the particular calendar date that the Borrower selects to be the date on which the Borrower intends to refinance the Advances specified in Part 1. This date (a) must be the last day of a calendar quarter, and (b) with respect to any Advance for which the Borrower has selected a fixed premium prepayment/refinancing privilege that includes a 5-year period during which such Advance shall not be eligible for any prepayment or refinancing, may not be a date that will occur before the expiration of such 5-year no-call period.

⁹Complete 1 line in Part 2 for each Advance identified in Part 1.

¹⁰For each Advance, insert the "Principal Installment Due" for the respective Advance on the Intended Refinancing Date as specified in the most recent billing notice delivered by RUS to the Borrower.

¹¹The Borrower has the option of making an additional payment of principal on the Intended Refinancing Date without any additional premium being charged for such additional payment of principal. For each Advance, insert the amount of any optional additional principal payment that will be paid on the Intended Refinancing Date.

¹²For each Advance, insert the total amount of principal that will be paid on the Intended Refinancing Date. That amount must be equal to the sum of the "Principal Installment Due" for the respective Advance inserted by the Borrower in Part 2 and any amount inserted by the Borrower as an "Optional Additional Principal Payment."

¹³Complete 1 line in Part 3 for each Advance.

¹⁴For each Advance, insert the amount of principal that is to be refinanced. That amount must equal the difference between the "Outstanding Principal Amount" for the respective Advance inserted by the Borrower in Part 1 and the "Total Amount of Principal to Be Paid" for such Advance inserted by the Borrower in Part 2.

¹⁵For each Advance, insert the particular calendar date that the Borrower selects to be the date on which the respective Advance is to mature after the refinancing. This date may be either the same maturity date that was in effect for the respective Advance immediately before the refinancing or a new maturity date. If the Borrower selects a new maturity date for the respective Advance, this date (a) must be the last day of a calendar quarter, (b) may not be later than the "Final Maturity Date" specified on page 1 of the Note, and (c) may not be less than one complete calendar quarter from the effective date of the refinancing.

¹⁶Select 1 of the following 3 methods for the repayment of principal for an Advance only if the Maturity Date selected for such Advance will occur on or after the "First Principal Payment Date" specified on page 1 of the Note. The 3 methods for the repayment of principal are: the "equal principal installments" method ("P"), the "graduated principal installments" method ("G"), and the "level debt service" method ("L"). Insert in the box the letter-symbol for the particular principal repayment method selected.

¹⁷Elect 1 of the following 2 types of prepayment/refinancing privileges for an Advance only if the new Maturity Date selected for such Advance will occur on or after the fifth anniversary of the effective date of this Maturity Extension. The 2 types of prepayment/refinancing privilege are: the "market value premium (or discount)" privilege ("M") and a "fixed premium" privilege ("F"). Insert in the box the letter-symbol for the particular type of prepayment/refinancing privilege elected.

¹⁸Elect 1 of the following 2 no-call period options for an Advance only if a "fixed premium" privilege is elected as the prepayment/refinancing privilege for such Advance. The 2 no-call period options are: yes ("Y"), if the Borrower elects to have the fixed premium prepayment/refinancing privilege include a 5-year period during which the Advance will not be eligible for prepayment or refinancing, and no ("N"), if the Borrower elects to have the fixed premium prepayment/refinancing privilege not include any such a 5-year no-call period. Insert in the box the letter-symbol for the particular no-call period option elected.

¹⁹Select 1 of the following 3 premium options for an Advance only if a "fixed premium" privilege is elected as the prepayment/refinancing privilege for such Advance. The 3 premium options are: a 10% premium declining over 10 years ("X"), a 5% premium declining over 5 years ("V"), and par (no premium) ("P"). Insert in the box the letter-symbol for the particular premium option selected.

APPENDIX 1
 TO
 REFINANCING ELECTION NOTICE
 (for identifying additional Advances
 that the Borrower elects to refinance)

Part 1:

<u>FFB ADVANCE IDENTIFIER</u>	<u>RUS ACCOUNT NUMBER</u>	<u>ORIGINAL ADVANCE DATE</u>	<u>ORIGINAL ADVANCE AMOUNT</u>	<u>OUTSTANDING PRINCIPAL AMOUNT</u>
_____	_____	_____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____

Part 2:

<u>FFB ADVANCE IDENTIFIER</u>	<u>PRINCIPAL INSTALLMENT DUE</u>	<u>ADDITIONAL PRINCIPAL PAYMENT</u>	<u>PRINCIPAL AMOUNT TO BE PAID</u>
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____

Part 3:

<u>FFB ADVANCE IDENTIFIER</u>	<u>AMOUNT OF PRINCIPAL TO BE REFINANCED</u>	<u>NEW MATURITY DATE</u>	<u>PRINCIPAL REPAYMENT METHOD</u>	<u>TYPE OF PREPAY'T/ REFINAN'G PRIVILEGE</u>	<u>5-YEAR NO-CALL PERIOD</u>	<u>PREMIUM OPTION</u>
_____	\$ _____	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	\$ _____	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
_____	\$ _____	_____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

LOAN CONTRACT AMENDMENT

THIS AGREEMENT, dated as of August 3, 2009 (this "Amendment"), is between **ARIZONA ELECTRIC POWER COOPERATIVE, INC.**, ("Borrower") a corporation existing under the laws of the State of Arizona, and the **UNITED STATES OF AMERICA** (the "Government"), acting by and through the Administrator (the "Administrator") of the Rural Utilities Service (together with any agency succeeding to the powers and rights of the Rural Utilities Service ("RUS")), and shall amend and supplement that certain Loan Contract between them, dated as of December 16, 1961, as amended and supplemented (the "Loan Contract").

WHEREAS, the Borrower has incurred under the Rural Electrification Administration Act of 1936, as amended ("Act") (7 U.S.C. 901 *et seq.*) certain indebtedness and obligations to the Government as a result of loans made or guaranteed by, the Government, acting by and through the Administrator or RUS, which indebtedness and other obligations are evidenced by the outstanding notes (as more specifically identified in the Borrower's mortgage or security instrument between the Borrower and the Government); and

WHEREAS, in connection with the loans and other obligations evidenced by the outstanding notes, the Borrower and the Government, acting by and through the Administrator or RUS, entered into the Loan Contract;

WHEREAS, RUS is willing to extend financial assistance to the Borrower pursuant to the Borrower on the terms and conditions stated herein;

WHEREAS, the Borrower proposes to borrow from the Federal Financing Bank ("FFB") Thirty-Six Million Thirty-Two Thousand Dollars (\$36,032,000.00) (the "FFB R-8 Loan") to finance the system extensions and additions, specifically described herein; in the RUS Form 740(c), dated November 12, 2008, (the "RUS Form 740(c)"), attached hereto and made a part hereof; and

WHEREAS, RUS has committed under the terms and conditions set forth in the Note Purchase Commitment and Servicing Agreement, dated as of January 1, 1992, as amended, between RUS and FFB to guarantee the repayment of the FFB R-8 Loan; and

WHEREAS, the Borrower desires to execute and deliver this Amendment;

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

RUS Project Designation: ARIZONA 28-R8 & LA10 APACHE

SECTION I. NOTES

- (a) The note evidencing the FFB R-8 Loan (the "FFB Note") shall be payable in accordance with its terms and shall bear interest, be amortized and shall mature in accordance with its terms stated therein.
- (b) The RUS reimbursement note evidencing the reimbursement obligation of the Borrower to RUS (the "Reimbursement Note") shall be payable in accordance with its terms (The FFB Note and the RUS Reimbursement Note, collectively called the "Notes).

SECTION II. General Conditions of Advance.

The obligation of RUS to approve the making of an advance for all or any portion of the FFB R-8 Loan hereunder is subject to satisfaction of each of the following on or before the date of any advance, including the provisions, stated in the Loan Contract, as applicable::

- (a) The RUS has entered into a contract of guarantee with the Borrower, and the FFB has agreed, with RUS approval, to make the FFB R-8 Loan to the Borrower to finance the systems extensions and additions identified on the RUS Form 740(c).
- (b) The Borrower has submitted evidence, in form and substance satisfactory to the Administrator, that the conditions in the contract of guarantee have been satisfied to the extent and manner prescribed by the Administrator.
- (c) The Borrower has submitted evidence, in form and substance satisfactory to the Administrator, that the Borrower, if required by the Administrator, has duly authorized, executed, and delivered, recorded, and filed a mortgage or other security instrument, which is in form and substance satisfactory to the Administrator.
- (d) The Borrower has submitted evidence, in form and substance satisfactory to the Administrator, that the Borrower, has duly authorized, executed, and delivered this Amendment, the FFB Note and the RUS Reimbursement Note, all in the manner prescribed by the Administrator, including returning the Notes not later than 90 days from the date of the certain Designation Notice from the Administrator and jointly addressed to FFB and the Borrower.

SECTION III Special Conditions of Advance.

The obligation of RUS to approve the making of an advance for all or any portion of the FFB R-8 Loan hereunder is subject to satisfaction of each of the special conditions of advance, specified on Schedule 1, attached hereto and made a part hereof.

SECTION IV Use of Proceeds.

- (a) The Borrower shall use the proceeds of the FFB R-8 Loan as specifically described in the RUS Form 740(c), dated November 12, 2008, attached hereto and made a part hereof. Written approval by RUS must be obtained prior to the use of any loan proceeds for system extensions and additions that are not specifically identified on the RUS Form 740(c).
- (b) Proceeds are eligible for advance only after all general conditions and all special conditions, if any, have been met and the advance request documentation has been submitted to RUS and approved by RUS, in the manner prescribed by the Administrator.

SECTION V. Loan Contract Confirmed.

This Amendment is executed and shall be construed as a contract amendment and is supplemental to the Loan Contract, and shall form a part thereof, and the Loan Contract, as hereby supplemented, modified, and amended, is hereby confirmed. Except to the extent inconsistent with the express terms of this Amendment and the Notes, all of the provisions, terms, covenants and conditions of the Loan Contract shall be applicable to the Notes to the same extent as if specifically set forth herein. All capitalized terms used in this Amendment shall have meanings ascribed to them in the Loan Contract, except in cases where the context clearly indicates otherwise.

SECTION VI. Mailing Addresses.

The mailing address of the Borrower is:

Arizona Electric Power Cooperative, Inc.
P. O. Box 670
Benson, Arizona 85602

and the mailing address of the Government is:

Rural Utilities Service
United States Department of Agriculture
1400 Independence Avenue, S.W.
Washington, DC 20250-1500

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

ARIZONA ELECTRIC POWER COOPERATIVE, INC.

By: Reuben B. McBride

Name: REUBEN B. MCBRIDE

Title: PRESIDENT

(SEAL)

Attest: Thomas N. Powers

Name: THOMAS N. POWERS

Title: ~~Assistant~~ Secretary

**ADMINISTRATOR
of the
RURAL UTILITIES SERVICE**

By: Jonathan Adelstein

Name: Jonathan Adelstein

Title: SEP 21 2009

SCHEDULE 1

SPECIAL CONDITIONS OF ADVANCE

1. The Borrower agrees that it will use the first advance of the proceeds of the FFB R-8 Loan to pay in full any and all amounts advanced to the Borrower by the National Rural Utilities Cooperative Finance Corporation under its LA-10 Lien Accommodation loan (AZ028-A-9044).
2. The Borrower agrees to provide RUS evidence, satisfactory to the Administrator of such payment and the cancellation of such LA-10 lien accommodation within 90 days.

SECTION A. COST ESTIMATES (cont.)

BORROWER'S COST ESTIMATES RUS USE ONLY

10 b. New Substation, Switching Stations, etc.

Station Designation	kVA	kV TO kV
901		
902		
903		
904		
905		
906		
907		
908		

Subtotal From Page 3A

Subtotal

\$0
0
0
0
0
0
0
0
0
0
0
0
0
0
\$0

1000 c. Line and Station Changes

Line/Station Designation	Description of Changes
1001	
1002	
1003	
1004	
1005	
1006	
1007	
1008	
1009	

Subtotal From page 3A through 3C

Subtotal

\$0
0
0
0
0
0
0
0
0
0
0
0
0
0
0
\$0

1100 d. Other Transmission Items

1101	(1) R/W Procurement	
1102	(2) Engineering Fees	
1103	(3) Reimbursement of General Funds (see schedule)	
1104	(4)	

Subtotal

\$0
0
0
0
0
\$0

TOTAL TRANSMISSION.....

\$0

1200 3. GENERATION (including Step-up Station at Plant)

1201	a. Fuel Coal, Gas & Light Oil	Nameplate Rating	600587	kw	\$36,032,600
1202	b.				0

TOTAL GENERATION.....

\$36,032,600

1300 4. HEADQUARTERS FACILITIES

1301	a. New or additional Facilities	(Attach RUS Form 740g)	\$0
1302	b.		0

TOTAL HEADQUARTERS FACILITIES

\$0

COST ESTIMATE AND LOAN BUDGET FOR ELECTRIC BORROWERS		BORROWER AND LOAN DESIGN		Arizona 28-Apache		
SECTION A. COST ESTIMATES (cont.)				BORROWER'S COST ESTIMATES	RUS USE ONLY	
1400	5. ACQUISITIONS					
1401	a.	Consumers	Miles	\$0		
1402	b.			0		
TOTAL ACQUISITIONS.....				\$0		
1500	6. ALL OTHER					
1501	a.			\$0		
1502	b.			0		
1503	c.			0		
1504	d.			0		
1505	e.			0		
TOTAL ALL OTHER.....				\$0		

SECTION B. SUMMARY OF AMOUNTS AND SOURCES OF FINANCING

1. GRAND TOTAL - ALL COSTS		\$36,032,600	
2. FUNDS AND MATERIALS AVAILABLE FOR FACILITIES			
a. Loan Funds	\$0		
b. Materials and Special Equipment	0		
c. General Funds			
Purpose 1	\$0		
Purpose 2	\$0		
Purpose 3	\$0		
Purpose 4	\$0		
Total General Funds Applied	\$0		
d. Total Available Funds and Materials		\$0	
3. NEW FINANCING REQUESTED FOR FACILITIES		\$36,032,600	
4. RUS LOAN REQUESTED FOR FACILITIES.....	100%	\$36,032,000	
5. TOTAL SUPPLEMENTAL LOAN REQUESTED		\$0	
National Rural Utilities Cooperative Finance Corporation			
Name of Supplemental Lender			
6. CAPITAL TERM CERTIFICATE PURCHASES (CFC Loan only) ..	0%	\$0	
7. SUPPLEMENTAL LOAN REQUESTED FOR FACILITIES.....	0%	\$0	
8. 100% SUPPLEMENTAL LOANS (SEE RUS Bulletin 20-40, Att. C)*		\$0	

* Identify in section A by budget purpose and separate subtotals.

SECTION C. CERTIFICATION

We, the undersigned, certify that:

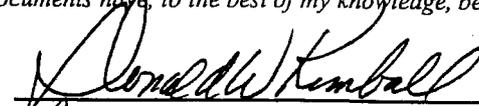
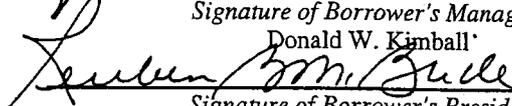
- Upon completion of the electrical facilities contained herein and any others uncompleted at this time but for which financing is available, the system will be capable of adequately and dependably serving the projected load for the loan period as contained in our current RUS approved Power Requirement Study and Construction Work Plan.
- Negotiations have been or will be initiated with our power supplier, where necessary, to obtain new delivery points and/or additional capacity at existing ones to adequately supply the projected load upon which this loan application is based.
- The data contained herein and all supporting documents have, to the best of my knowledge, been prepared correctly and in accordance with RUS Bulletin 20-2.

11/12/2008

Date

11/12/2008

Date


 Signature of Borrower's Manager
 Donald W. Kimball

 Signature of Borrower's President
 Reuben B. McBride

Arizona Electric Power Cooperative, Inc.

Corporate Name of Borrower

OFFICIAL

GFR Initials _____

STATEMENT

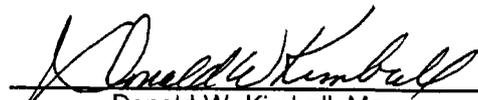
Statement certifying that at least 90% of the Loan funds are for facilities with a useful life of 33 years or longer as required by 7 CFR 1710.115.

To facilitate the determination of the final maturity for this RUS Loan,
Arizona Electric Power Cooperative, Inc.
does hereby certify that:

- At least 90% of the Loan funds requested as part of this loan application and included on the RUS Form 740c (Cost Estimates and Loan Budget for Electric Borrowers) are for facilities with an anticipated useful life of 33 years or longer.
- Less than 90% of the Loan funds requested as part of this loan application and included on the RUS Form 740c (Cost Estimates and Loan Budget for Electric Borrowers) are for facilities with an anticipated useful life of 33 years or longer. A schedule has been attached to this statement listing the facilities with an anticipated useful life of less than 33 years, the anticipated useful life of those facilities and the associated cost estimates (see attached).

11/12/2008
Date

Title:


Donald W. Kimball, Manager

OFFICIAL

(FFB-REIM.NTE)
5/97

Arizona 28-R8 Apache

FFB Note Identifier:

RUS Note Identifier:

Benson, Arizona
Dated as of August 3, 2009

REIMBURSEMENT NOTE

ARIZONA ELECTRIC POWER COOPERATIVE, INC. (the "Borrower"), which term includes any successors or assigns), a corporation organized and existing under the laws of the State of Arizona, for value received, promises to pay on demand to the order of the UNITED STATES OF AMERICA (the "Government"), acting through the Administrator of the Rural Utilities Service ("RUS"), at the United States Treasury, Washington, D.C., a sum equal to:

- (1) all amounts, including, without limitation, principal and interest (the "Reimbursed Amount"), paid by the Government from time to time pursuant to that certain guarantee by RUS (the "RUS Guarantee"), made by RUS to the Federal Financing Bank ("FFB") of amounts payable to FFB under a note dated August 3, 2009 in the principal amount of \$36,032,000, made by the Borrower payable to FFB and guaranteed by RUS (the "FFB Note") pursuant to the Rural Electrification Act of 1936, as amended (7 U.S.C. 901 et seq.), Section 6 of the Federal Financing Bank Act of 1973 (12 U.S.C. §2285), and the Note Purchase Commitment and Servicing Agreement, as amended and as it may be amended, supplemented, or restated from time to time, dated as of January 1, 1992, between FFB and RUS (all such amounts hereinafter collectively called the "Principal Amount"), and
- (2) with interest on the Principal Amount from the respective date of such payment by RUS to FFB, at the Late Charge Rate as that term is defined in the FFB Note, and
- (3) administrative costs and penalty charges assessed in accordance with applicable regulations, and
- (4) any and all costs and expenses incurred in connection with the exercise of rights or the enforcement of remedies, as set forth in the Security Instrument, as hereinafter defined.

The obligations of the Borrower hereunder are absolute and unconditional, irrespective of any defense or any right to set off, recoupment or counterclaim it might otherwise have against the Government.

So long as FFB has received all amounts then due to it under the RUS

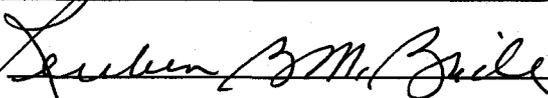
Guarantee, the Borrower agrees to pay all amounts due on this Note directly to RUS. Nothing herein shall limit the Government's rights of subrogation which may arise as a result of payments made by RUS pursuant to the RUS Guarantee.

This Note is one of several notes permitted to be executed and delivered by, and is entitled to the benefits and security of, the Consolidated Mortgage, Security Agreement and Financing Statement, dated as of August 3, 2009, made by and among the Borrower, the Government and National Rural Utilities Cooperative Finance Corporation, as it may have heretofore been, or as it may hereinafter be, amended, supplemented, restated, or consolidated from time to time in accordance with its terms, being, collectively, the Security Instrument (the "Security Instrument"). The Security Instrument provides that all notes shall be equally and ratably secured thereby and reference is hereby made to the Security Instrument for a description of the property pledged, the nature and extent of the security and the rights, powers, privileges, and remedies of, the holders of notes with respect thereto.

Neither the execution and delivery of this Note by the Borrower to the Government, nor the failure of the Government to exercise any of its rights, powers, privileges or remedies under the Security Instrument shall be deemed to be a waiver of any right, power, privilege or remedy of the Government, as a holder of this Note, under the Security Instrument.

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 attested by its officers thereunto duly authorized, all as of the day and year first above written.

ARIZONA ELECTRIC POWER COOPERATIVE, INC.

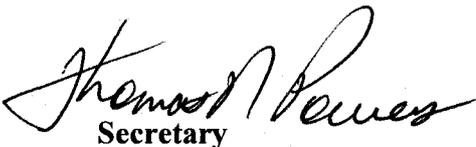
By: 

Name: REUBEN B. MCBRIDE

Title: PRESIDENT

(Seal)

Attest:


Secretary

THOMAS N. POWERS