

**GALLAGHER & KENNEDY**

P.A.

ATTORNEYS AT LAW

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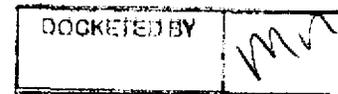
April 5, 2010

Arizona Corporation Commission  
**DOCKETED**

APR -5 2010

**HAND DELIVERED**

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



Re: *Executed Loan Documents for Southwest Transmission Cooperative, Inc.*  
*("SWTC"); Decision No. 71511; Docket No. E-04100A-09-0250*

Dear Sir or Madam:

As required by the eighth ordering paragraph on page 7 of Decision No. 71511, enclosed are the original and 13 copies of executed loan documents in relation to this matter consisting of:

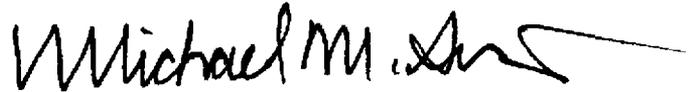
1. Loan Agreement between SWTC and the National Rural Utilities Cooperative Finance Corporation ("CFC");
2. A Secured Promissory Note between SWTC and CFC;
3. An Equity Note between SWTC and CFC;
4. A Loan Contract Amendment between SWTC and the United States acting by and through the Rural Utilities Service ("RUS") Administrator;
5. A Future Advance Promissory Note between SWTC and Federal Financing Bank; and
6. A Reimbursement Note between SWTC and RUS.

Docket Control  
April 5, 2010  
Page 2

Your assistance in relation to this matter is appreciated.

Very truly yours,

GALLAGHER & KENNEDY, P.A.

A handwritten signature in black ink, appearing to read "Michael M. Grant", with a long horizontal flourish extending to the right.

By:

Michael M. Grant

MMG/plp  
15169-15/2418016  
Enclosures

cc (w/o enclosures): Gary Pierson

**Original and 13 copies** filed with Docket  
Control this 5<sup>th</sup> day of April, 2010.

## LOAN AGREEMENT

**LOAN AGREEMENT** (this "Agreement") dated as of March 22, 2010, between SOUTHWEST TRANSMISSION COOPERATIVE, INC. ("Borrower"), a corporation organized and existing under the laws of the State of Arizona and NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION ("CFC"), a cooperative association organized and existing under the laws of the District of Columbia.

### RECITALS

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

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

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

### ARTICLE I

#### DEFINITIONS

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

**"Accounting Requirements"** shall mean any system of accounts prescribed by a federal regulatory authority having jurisdiction over the Borrower (including but not limited to that prescribed by the financial and statistical report required by RUS, commonly known as the "RUS Form 12"), or in the absence thereof, the requirements of GAAP applicable to businesses similar to that of the Borrower.

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

**"Amortization Basis Date"** shall mean the first calendar day of the month following the end of the Billing Cycle in which the Advance occurs, provided, however, that if the Advance is made on the first day of a Billing Cycle, and such day is a Business Day, then the Amortization Basis Date shall be the date of the Advance.

**"Anniversary Date"** shall mean the date that is twelve (12) months from the Effective Date, and the date corresponding to each subsequent twelve-month period.

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

**"Billing Cycle"** shall mean any 3-month period ending on, and including, a Payment Date.

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

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

**"CFC Fixed Rate"** shall mean (i) such fixed rate as is then available for loans similarly classified pursuant to CFC's policies and procedures then in effect, or (ii) such other fixed rate as may be agreed to by the parties and reflected on the written requisition for funds in the form attached as Exhibit A hereto.

**"CFC Fixed Rate Term"** shall mean the specific period of time that a CFC Fixed Rate is in effect for an Advance.

**"CFC Variable Rate"** shall mean (i) the rate established by CFC for variable interest rate long-term loans similarly classified pursuant to the long-term loan programs established by CFC from time to time, or (ii) such other variable rate as may be agreed to by the parties on the written requisition for funds in the form attached as Exhibit A hereto.

**"CREB Provisions"** shall mean the specific covenants relating to funds requisition, tax status of the CREBs and completion and termination certificates contained in any loan agreements related to a clean renewable energy project of the Borrower funded by proceeds of one or more series of clean renewable energy bonds issued by CFC.

**"Conversion Request"** shall mean a written request from any duly authorized official of the Borrower, in form and substance satisfactory to CFC, that requests an interest rate conversion.

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

**"Default Rate"** shall mean a rate per annum equal to the interest rate in effect for an Advance plus two hundred basis points.

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

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

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

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

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

**"Equity Note"** shall mean the promissory note, payable to the order of CFC, executed by the Borrower, dated as of even date herewith, pursuant to this Agreement as identified on Schedule 1 hereto, and shall include all substitute, amended or replacement promissory notes.

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

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

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

**"Hazardous Material"** shall mean any (a) petroleum or petroleum products, radioactive materials, asbestos-containing materials, polychlorinated biphenyls, lead and radon gas, and (b) any other substance designated as hazardous or toxic or as a pollutant or contaminant under any Environmental Law.

**"Interest Expense"** shall mean an amount constituting the interest expense with respect to Long-Term Debt of the Borrower computed pursuant to Accounting Requirements. In computing Interest Expense, there shall be added, to the extent not otherwise included, an amount equal to 33-1/3% of the excess of Restricted Rentals paid by the Borrower over 2% of the Borrower's Equity.

**"Interest Rate Reset Date"** shall mean, with respect to any Advance, the first day following the expiration of the CFC Fixed Rate Term for such Advance.

**"LCTC Purchase Provisions"** shall mean the specific conditions and covenants in any Prior Loan Document requiring the Borrower to purchase subordinated debt instruments issued

by CFC that may be referred to in Prior Loan Documents as "LCTCs", "Loan Capital Term Certificates", "Capital Certificates", "Equity Certificates", "Subordinated Term Certificates" or instruments with other like designations.

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

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

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

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

"**Make-Whole Premium**" shall mean, with respect to any principal sum of a CFC Fixed Rate Advance paid prior to the expiration of the CFC Fixed Rate Term applicable thereto (the "Prepaid Principal Amount"), an amount calculated as set forth below. The Make-Whole Premium represents Lender's reinvestment loss resulting from making a fixed rate loan.

(1) Compute the amount of interest ("Loan Interest") that would have been due on the Prepaid Principal Amount at the applicable CFC Fixed Rate for the period from the prepayment date through the end of the CFC Fixed Rate Term (such period is hereinafter referred to as the "Remaining Term"), calculated on the basis of a 30-day month/360-day year, adjusted to include any amortization of principal in accordance with the amortization schedule that would have been in effect for the Prepaid Principal Amount.

(2) Compute the amount of interest ("Investment Interest") that would be earned on the Prepaid Principal Amount (adjusted to include any applicable amortization) if invested in a United States government security with a term equivalent to the Remaining Term, calculated on the basis of a 30-day month/360-day year. The yield used to determine the amount of Investment Interest shall be based upon United States government security yields dated no more than two Business Days prior to the prepayment date in Federal Reserve statistical release H.15 (519), under the caption "U.S. Government Securities/Treasury Constant Maturities". If there is no such United States government security under said caption with a term equivalent to the Remaining Term, then the yield shall be determined by interpolating between the terms of whole years nearest to the Remaining Term.

(3) Subtract the amount of Investment Interest from the amount of Loan Interest. If the difference is zero or less, then the Make-Whole Premium is zero. If the difference is greater than zero, then the Make-Whole premium is a sum equal to the present value of the difference, applying as the present value discount a rate equal to the yield utilized to determine Investment Interest.

"**Maturity Date**" with respect to each Note shall have the meaning ascribed to it therein.

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

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

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

**"Note"** shall mean the Equity Note and the Project Note.

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

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

**"Payment Date"** shall mean the last day of each of the months referred to in Schedule 1.

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

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

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

**"Prior Loan Documents"** shall mean, collectively, all long term loan agreements entered into prior to the date hereof by and between CFC and the Borrower, and all promissory notes delivered pursuant thereto secured under the Mortgage.

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

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

"RUS" shall mean the Rural Utilities Service, an agency of the United States Department of Agriculture, or if at any time after the execution of this Agreement RUS is not existing and performing the duties of administering a program of rural electrification as currently assigned to it, then the entity performing such duties at such time.

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

"Times Interest Earned Ratio ("TIER")" shall have the meaning ascribed to it in the Mortgage.

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

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

## ARTICLE II

### REPRESENTATIONS AND WARRANTIES

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

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

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

**C. Authority; Validity.** The Borrower has the power and authority to enter into this Agreement, the Note and the Mortgage; to make the borrowing hereunder; to execute and deliver all documents and instruments required hereunder and to incur and perform the obligations provided for herein, in the Note and in the Mortgage, all of which have been duly authorized by all necessary and proper action; and no consent or approval of any Person, including, as applicable and without limitation, members of the Borrower, which has not been obtained is required as a condition to the validity or enforceability hereof or thereof.

Each of this Agreement, the Note and the Mortgage is, and when fully executed and delivered will be, legal, valid and binding upon the Borrower and enforceable against the Borrower in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization,

moratorium or other laws affecting creditors' rights generally and subject to general principles of equity.

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

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

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

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

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

**H. Financial Statements.** The balance sheet of the Borrower as at the date identified in Schedule 1 hereto, the statement of operations of the Borrower for the period ending on said date, and the interim financial statements of the Borrower, all heretofore furnished to CFC, are complete and correct. Said balance sheet fairly presents the financial condition of the Borrower as at said date and said statement of operations fairly reflects its operations for the period ending on said date. The Borrower has no contingent obligations or extraordinary forward or long-term commitments except as specifically stated in said balance sheet or herein. There has been no material adverse change in the financial condition or

operations of the Borrower from that set forth in said financial statements except changes disclosed in writing to CFC prior to the date hereof.

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

**J. Required Approvals.** No license, consent or approval of any Governmental Authority is required to enable the Borrower to enter into this Agreement, the Note and the Mortgage, or to perform any of its Obligations provided for in such documents, including without limitation (and if applicable), that of any state public utilities commission and any state public service commission, except as disclosed in Schedule 1 hereto, all of which the Borrower has obtained prior to the date hereof.

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

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

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

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

### ARTICLE III

### PROJECT LOAN

**Section 3 Scope.** The provisions of this Article III shall apply solely to the Project Note and Advances thereunder.

**Section 3.01 Advances.** Subject to the terms and conditions hereof, CFC agrees to make Advances hereunder, from time to time, *provided, however*, that the aggregate amount of all outstanding Advances shall not exceed the amount of the Project Note.

The Borrower shall submit its request for an Advance to CFC in writing (which may be submitted by facsimile) no later than 12:00 noon local time at CFC's offices in Herndon, Virginia on the Business Day prior to the Business Day the Borrower seeks to have funds advanced.

At the end of the Draw Period, CFC shall have no further obligation to make Advances. The obligation of the Borrower to repay the Advances shall be evidenced by the Project Note.

**Section 3.02 Interest Rate and Payment.** The Project Note shall be payable and bear interest as follows:

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

(i) The Project Note shall have a Maturity Date that is not more than thirty-six (36) months from the date hereof, *provided, however*, that if such date is not a Payment Date, then the Maturity Date shall be the Payment Date immediately preceding such date.

(ii) For each Advance, the Borrower shall promptly pay interest in the amount invoiced on each Payment Date until the first Payment Date of the Billing Cycle in which the Amortization Basis Date occurs. On such Payment Date, and on each Payment Date thereafter, the Borrower shall promptly pay interest and principal in the amounts invoiced. If not sooner paid, any amount due on account of the unpaid principal, interest accrued thereon and fees, if any, shall be due and payable on the Maturity Date. The amortization method for each Advance shall be as stated on Schedule 1 or, if not so stated, then as stated on the written requisition for such Advance submitted by the Borrower to CFC pursuant to the terms hereof.

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

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

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

**C. Selection of Interest Rate and Interest Rate Computation.** Prior to each Advance on the Project Note, the Borrower must select in writing either a CFC Fixed Rate or the CFC Variable Rate, as follows:

(i) CFC Fixed Rate. If the Borrower selects a CFC Fixed Rate for an Advance, then such rate shall be in effect for the CFC Fixed Rate Term selected by the Borrower. CFC shall provide the Borrower with at least sixty (60) days prior written or electronic notice of the Interest

Rate Reset Date for such Advance. The Borrower may then select any available interest rate option for such Advance pursuant to CFC's policies of general application. The Advance shall bear interest according to the interest rate option so selected beginning on the Interest Rate Reset Date. If the Borrower does not select an interest rate in writing prior to the Interest Rate Reset Date, then beginning on the Interest Rate Reset Date the Advance shall bear interest at, the CFC Variable Rate. CFC agrees that its long-term loan policies will include a fixed interest rate option until the Maturity Date. For any Advance, the Borrower may not select a CFC Fixed Rate with a CFC Fixed Rate Term that extends beyond the Maturity Date. Interest on amortizing Advances bearing interest at a CFC Fixed Rate shall be computed for the actual number of days elapsed on the basis of a year of 365 days, until the first day of the Billing Cycle in which the Amortization Basis Date occurs; interest shall then be computed on the basis of a 30-day month and 360-day year. Interest on non-amortizing Advances bearing interest at a CFC Fixed Rate shall be computed for the actual number of days elapsed on the basis of a year of 365 days.

(ii) CFC Variable Rate. If the Borrower selects the CFC Variable Rate for an Advance, then such CFC Variable Rate shall apply until the Maturity Date, unless the Borrower elects to convert to a CFC Fixed Rate pursuant to the terms hereof. Interest on Advances bearing interest at the CFC Variable Rate shall be computed for the actual number of days elapsed on the basis of a year of 365 days.

### **Section 3.03 Conversion of Interest Rates.**

**A. CFC Variable Rate to a CFC Fixed Rate.** The Borrower may at any time convert from the CFC Variable Rate to a CFC Fixed Rate by submitting to CFC a Conversion Request requesting that a CFC Fixed Rate apply to any outstanding Advance. The rate shall be equal to the rate of interest offered by CFC in effect on the date of the Conversion Request. The effective date of the new interest rate shall be a date determined by CFC pursuant to its policies of general application following receipt of the Conversion Request.

**B. CFC Fixed Rate to CFC Variable Rate.** The Borrower may at any time convert a CFC Fixed Rate to the CFC Variable Rate by: (i) submitting a Conversion Request requesting that the CFC Variable Rate apply to any outstanding Advance; and (ii) paying to CFC promptly upon receipt of an invoice any applicable conversion fee calculated pursuant to CFC's long-term loan policies as established from time to time for similarly classified long-term loans. The effective date of the CFC Variable Rate shall be a date determined by CFC pursuant to its policies of general application following receipt of the Conversion Request.

**C. A CFC Fixed Rate to Another CFC Fixed Rate.** The Borrower may at any time convert from a CFC Fixed Rate to another CFC Fixed Rate if the Borrower: (i) submits a Conversion Request requesting that a CFC Fixed Rate apply to any Advance and (ii) pays to CFC promptly upon receipt of an invoice any applicable conversion fee calculated pursuant to CFC's long-term loan policies as established from time to time for similarly classified long-term loans. The effective date of the new interest rate shall be a date determined by CFC pursuant to its policies of general application following receipt of the Conversion Request.

**Section 3.04 Optional Prepayment.** The Borrower may at any time, on not less than thirty (30) days prior written notice to CFC, prepay any Advance, in whole or in part. In the event the Borrower prepays all or any part of an Advance (regardless of the source of such prepayment and whether voluntary, by acceleration or otherwise), the Borrower shall pay any prepayment fee or Make-Whole Premium as CFC may prescribe pursuant to the terms of this Section 3.04. All prepayments shall be accompanied by payment of accrued and unpaid interest on the amount of

and to the date of the repayment. All prepayments shall be applied first to fees, second to the payment of accrued and unpaid interest, and then to the unpaid balance of the principal amount of the applicable Advance. If the Advance bears interest at the CFC Variable Rate, the Borrower may prepay the Advance or any portion thereof, as the case may be, at any time subject to the terms hereof and said prepayment fee shall be in an amount equal to thirty three (33) basis points times the amount being prepaid. If the Advance bears interest at a CFC Fixed Rate, the Borrower may (a) prepay the Advance on the day before an Interest Rate Reset Date provided that the Borrower shall pay a prepayment fee in an amount equal to thirty three (33) basis points times the amount being prepaid or (b) any such other date provided that the Borrower shall pay a prepayment fee in an amount equal to thirty three (33) basis points times the amount being prepaid plus any applicable Make-Whole Premium.

### **Section 3.05 Mandatory Prepayment.**

A. If there is a change in the Borrower's corporate structure (including without limitation by merger, consolidation, conversion or acquisition), then upon the effective date of such change, (a) the Borrower shall no longer have the ability to request, and CFC shall have no obligation to make, Advances hereunder and (b) the Borrower shall prepay the outstanding principal balance of all Obligations, together with any accrued but unpaid interest thereon, any unpaid costs or expenses provided for herein, and a prepayment premium as set forth in any agreement between the Borrower and CFC with respect to any such Obligation or, if not specified therein, as prescribed by CFC pursuant to its policies of general application in effect from time to time.

B. Notwithstanding the foregoing, if after giving effect to such change in Borrower's corporate structure, Borrower, or its successor in interest, is engaged in the furnishing of electric utility services to its members and is organized as a cooperative, nonprofit corporation, public utility district, municipality, or other public governmental body, Borrower shall retain the ability to request, and CFC shall retain the obligation to make, Advances hereunder and no prepayment shall be required under this Section 3.05.

C. Notwithstanding anything to the contrary contained in this Agreement, Borrower shall repay all amounts Advanced hereunder, with interest as provided for herein within thirty (30) days of funds being available to Borrower under the Borrower's pending loan application for a loan referred to as the D8 Loan with the Rural Utilities Service of the United States of America, Department of Agriculture ("RUS Loan"). Upon such repayment this Agreement shall terminate and be of no further force nor effect except to the extent provided for in Section 8.10 of this Agreement.

**Section 3.06 Default Rate.** If Borrower defaults on its obligation to make a payment due hereunder by the applicable Payment Date, and such default continues for thirty days thereafter, then beginning on the thirty-first day after the Payment Date and for so long as such default continues, Advances shall bear interest at the Default Rate.

### **Section 3.07 Fees.**

A. **Commitment Fee.** On the Effective Date, there shall be due and payable to CFC a nonrefundable fee ("Commitment Fee") in the amount set forth on Schedule 1. Borrower shall pay such fee as a precondition to the effectiveness of this Agreement.

**B. Annual Facility Fee.** On the Effective Date, and at each Anniversary Date for so long as this Agreement is in effect, there shall be due and payable to CFC a nonrefundable facility fee ("Facility Fee"). Borrower shall pay the Facility Fee to CFC promptly upon receipt of an invoice from CFC relating thereto. The initial Facility Fee shall be in the amount set forth on Schedule 1. Subsequent Facility Fees shall be in amounts determined in accordance with CFC's credit policies and practices in effect as of each applicable Anniversary Date. Any increase in the Facility Fee shall be effective only as of an Anniversary Date. The Facility Fee shall be prorated for any year in which this Agreement is not in effect for the entire year.

## ARTICLE IIIA

### EQUITY LOAN

**Section 3A. Scope.** The provisions of this Article IIIA shall apply solely to the Equity Note and Advances thereunder.

**Section 3A.01 Advances.** In the event the Borrower chooses to finance an LCTC purchase with proceeds of the Equity Note, the Borrower hereby irrevocably authorizes and instructs CFC to make Advances automatically and concurrently with Advances made on the Project Note, so that the amount of each Advance made on the Equity Note shall equal 14.29% of each Advance on the Project Note and, in the event the Borrower chooses to purchase the LCTC otherwise, then the Borrower will purchase an LCTC in an amount equal to 12.5% of each Advance made under the Project Note. The aggregate principal amount at any one time outstanding shall not exceed the portion of the CFC Commitment allocated to the Equity Note. The obligation of the Borrower to repay the Advances shall be evidenced by the Equity Note.

**Section 3A.02 Term; Amortization.** Each Advance shall have a term concurrent with the corresponding Advance on the Project Note. Advances shall amortize proportionally to the corresponding Advance on the Project Note.

**Section 3A.03 Use of Proceeds.** Advances shall be made solely to purchase the LCTCs required under the terms of this Agreement.

**Section 3A.04 Payment.** CFC will furnish to the Borrower a Payment Notice at least ten (10) days before each Payment Date, *provided, however*, that CFC's failure to send a Payment Notice shall not constitute a waiver by CFC or be deemed to relieve the Borrower of its obligation to make payments as and when due as provided for herein. On each Payment Date, the Borrower shall promptly pay interest and principal in the amounts then due. If not sooner paid, any amount due on account of the unpaid principal, interest accrued thereon and fees, if any, shall be due and payable on the Maturity Date.

**Section 3A.05 Application of Payments.** Each payment shall be applied first to any fees, costs, expenses or charges other than interest or principal, second to interest accrued, and the balance to principal.

**Section 3A.06 Interest Rate.** Each Advance shall bear interest at the CFC Fixed Rate, as in effect on the date of the first Advance hereunder, which rate shall be fixed to the Maturity Date. Interest on Advances bearing interest at a CFC Fixed Rate shall be computed for the actual number of days elapsed on the basis of a year of 365 days. No provision of this

Agreement or of the Equity Note shall require the payment, or permit the collection, of interest in excess of the highest rate permitted by applicable law.

**Section 3A.07 Prepayment.** The Borrower may at any time, on not less than thirty (30) days' written notice to CFC, make a prepayment on the Equity Note, together with the interest accrued to the date of prepayment; *provided, however*, that after giving effect to any such prepayment, the outstanding principal balance of the Equity Note shall not be less than 14.29% of the outstanding principal balance of the Project Note. The Borrower may prepay the Equity Note in full only if the Project Note has been paid in full. No prepayment premium shall be charged.

**Section 3A.08 Security.** Borrower agrees that CFC shall retain possession of the original equity term certificates (which may be in book entry form) as security against payment hereunder, and upon the occurrence of an Event of Default, may exercise setoff rights with respect thereto.

**Section 3A.09 Patronage Capital.** No patronage capital shall be earned to the Equity Note, notwithstanding any CFC policies or practices in effect from time to time with respect to the allocation of patronage capital on other loans originated by CFC.

## ARTICLE IV

### CONDITIONS OF LENDING

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

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

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

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

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

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

**F. UCC Filings.** Uniform Commercial Code financing statements (and any continuation statements and other amendments thereto that CFC shall require from time to time) shall have been duly filed, recorded or indexed in all jurisdictions necessary (and in any other jurisdiction that CFC shall have reasonably requested) to provide CFC a perfected security interest, subject to Permitted Encumbrances, in the Mortgaged Property which may be perfected by the filing of a financing statement, all in accordance with applicable law, and the Borrower shall have paid all applicable taxes, recording and filing fees and caused satisfactory evidence thereof to be furnished to CFC.

**G. Requisitions.** The Borrower will requisition each Advance by submitting its written requisition to CFC, in form and substance satisfactory to CFC. Requisitions for Advances on the Project Note shall be made only for the purposes set forth in Schedule 1 hereto. Borrower agrees to deposit all funds advanced hereunder and specifically under the Project Note in its trustee special construction fund account.

**H. Wholesale Power Contracts.** The Borrower shall have furnished to CFC: (i) true and correct copies of each wholesale power supply contract, including any amendments thereto to the date of the Advance, between the Borrower and any of its members; and (ii) evidence and opinions of counsel, if so requested by CFC, that such contracts have been approved by all applicable governmental or regulatory authorities and that such contracts are valid and binding on the parties thereto.

**I. Additional Notes.** The Borrower shall have satisfied the requirements of the Mortgage so that the Project Note executed pursuant hereto shall be an Additional Note thereunder and CFC shall have received evidence that RUS has approved the security for the Project Note under a Type IIA lien accommodation.

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

**K. Special Conditions.** CFC shall be fully satisfied that the Borrower has complied with all special conditions identified in Schedule 1 hereto.

**ARTICLE V**  
**COVENANTS**

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

**A. Financial Ratios; Design of Rates.** The Borrower shall achieve an Average DSC Ratio of not less than 1.0. The Borrower shall not decrease its rates for electric service if it has failed to achieve a DSC Ratio of 1.0 for the calendar year prior to such reduction subject only to an order from a Governmental Authority properly exercising jurisdiction over the Borrower. The Borrower shall achieve an Average TIER of not less than 1.05, where "Average TIER" shall mean the average of the Borrower's two highest annual TIER Ratios during the most recent three calendar years.

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

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

- (i) any material adverse change in the business, operations, prospects, assets, liabilities or financial condition of the Borrower;
- (ii) the institution or threat of any litigation or administrative proceeding of any nature involving the Borrower which could materially affect the business, operations, prospects, assets, liabilities or financial condition of the Borrower;
- (iii) the occurrence of an Event of Default hereunder, or any event that, with the giving of notice or lapse of time, or both, would constitute an Event of Default.

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

**E. Annual Certificates.** Within one hundred twenty (120) days after the close of each calendar year, commencing with the year in which the initial Advance hereunder shall have been made, the Borrower will deliver to CFC a written statement, in form and substance satisfactory to CFC, either (a) signed by the Borrower's General Manager or Chief Executive Officer, or (b) submitted electronically through means made available to the Borrower by CFC, stating that during such year, and that to the best of said person's knowledge, the Borrower has fulfilled all of its obligations under this Agreement, the Note, and the Mortgage throughout such year or, if there has been a default in the fulfillment of any such obligations, specifying each such default known to said person and the nature and status thereof. The Borrower shall also deliver to CFC such other information as CFC may reasonably request from time to time.

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

**G. Financial Books; Financial Reports; Right of Inspection.** The Borrower will at all times keep, and safely preserve, proper books, records and accounts in which full and true entries will be made of all of the dealings, business and affairs of the Borrower, in accordance with Accounting Requirements. When requested by CFC, the Borrower will prepare and furnish CFC from time to time, periodic financial and statistical reports on its condition and operations. All of such reports shall be in such form and include such information as may be specified by CFC. Within one hundred twenty (120) days of the end of each calendar year during the term hereof, the Borrower shall furnish to CFC a full and complete report of its financial condition and statement of its operations as of the end of such calendar year, in form and substance satisfactory to CFC. In addition, within one hundred twenty (120) days of the end of each the Borrower's fiscal years during the term hereof, the Borrower shall furnish to CFC a full and complete consolidated and consolidating report of its financial condition and statement of its operations as of the end of such fiscal year, audited and certified by independent certified public accountants nationally recognized or otherwise satisfactory to CFC and accompanied by a report of such audit in form and substance satisfactory to CFC, including without limitation a consolidated and consolidating balance sheet and the related consolidated and consolidating statements of income and cash flow. CFC, through its representatives, shall at all times during reasonable business hours and upon prior notice have access to, and the right to inspect and make copies of, any or all books, records and accounts, and any or all invoices, contracts, leases, payrolls, canceled checks, statements and other documents and papers of every kind belonging to or in the possession of the Borrower or in anyway pertaining to its property or business.

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

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

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

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

**L. Further Assurances.** The Borrower shall execute any and all further documents, financing statements, agreements and instruments, and take all such further actions (including the filing and recording of financing statements, fixture filings, mortgages, deeds of trust and other documents), which may be required under any applicable law, or which CFC may reasonably request, to effectuate the transactions contemplated by the Loan Documents or

to grant, preserve, protect or perfect the Liens created or intended to be created thereby. The Borrower also agrees to provide to CFC, from time to time upon request, evidence reasonably satisfactory to CFC as to the perfection and priority of the Liens created or intended to be created by the Loan Documents.

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

- (i) at its own cost, comply in all material respects with all applicable Environmental Laws, including, but not limited to, any required remediation; and
- (ii) if it receives any written communication alleging Borrower's violation of any Environmental Law, provide CFC with a copy thereof within ten (10) Business Days after receipt, and promptly take appropriate action to remedy, cure, defend, or otherwise affirmatively respond to the matter.

**N. Limitations on Loans, Investments and Other Obligations.** The aggregate amount of all purchases, investments, loans, guarantees, commitments and other obligations described in Section 5.02.D(i). of this Agreement shall at all times be less than three percent (3%) of Total Utility Plant.

**O. Special Covenants.** The Borrower agrees that it will comply with any special covenants identified in Schedule 1 hereto.

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

**A. Limitations on Mergers.** Consolidate with, merge, or sell all or substantially all of its business or assets, or enter into an agreement for such consolidation, merger or sale, to another entity or Person.

**B. Limitations on Sale, Lease or Transfer of Capital Assets; Application of Proceeds.** Sell, lease or transfer (or enter into an agreement to sell, lease or transfer) any capital asset, except in accordance with this Section 5.02.B. If no Event of Default (and no event which with notice or lapse of time and notice would become an Event of Default) shall have occurred and be continuing, the Borrower may, without the prior written consent of CFC, sell, lease or transfer (or enter into an agreement to sell, lease or transfer) any capital asset in exchange for fair market value consideration paid to the Borrower if the value of such capital asset is less than one percent (1%) of Total Utility Plant and the aggregate value of capital assets sold, leased or transferred in any 12-month period is less than three percent (3%) of Total Utility Plant. Subject to the terms of the Mortgage, if the Borrower does sell, lease or transfer any capital assets, then the proceeds thereof (less ordinary and reasonable expenses incident to such transaction) shall immediately (i) be applied as a prepayment of the Note, to such installments as may be designated by CFC at the time of any such prepayment; (ii) in the case of dispositions of equipment, material or scrap, applied to the purchase of other property useful in the Borrower's business, although not necessarily of the same kind as the property disposed of, which shall forthwith become subject to the lien of the Mortgage; or (iii) applied to the acquisition or construction of other property or in reimbursement of the costs of such property.

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

- (i) Make any Distribution if an Event of Default has occurred and is continuing.
- (ii) Make Distributions during any calendar year in an amount greater than the amount of the Borrower's positive operating margins for the immediately preceding calendar year.

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

(i) (a) Purchase, or make any commitment to purchase, any stock, bonds, notes, debentures, or other securities or obligations of or beneficial interests in, (b) make, or enter into a commitment to make, any other investment, monetary or otherwise, in, (c) make, or enter into a commitment to make, any loan to, or (d) guarantee, assume, or otherwise become liable for, any obligation of any Person if, after giving effect to such purchase, investment, loan, guarantee or commitment, the aggregate amount thereof would exceed the greater of three percent (3%) of Total Utility Plant or fifty percent (50%) of Equity.

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

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

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

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

## ARTICLE VI

### EVENTS OF DEFAULT

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

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

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

**C. Other Covenants.**

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

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

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

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

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

**G. Involuntary Bankruptcy.** An involuntary case or other proceeding shall be commenced against the Borrower seeking liquidation, reorganization or other relief with respect to it or its debts under bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property and such involuntary case or other proceeding shall continue without dismissal or stay for a period of sixty (60) days; or an order for relief shall be entered against the Borrower under the federal bankruptcy laws or applicable state law as now or hereafter in effect.

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

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

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

**K. Monetary Judgment.** The Borrower shall suffer any money judgment not covered by insurance, writ or warrant of attachment or similar process involving an amount in excess of \$1,000,000 and shall not discharge, vacate, bond or stay the same within a period of sixty (60) days.

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

## ARTICLE VII

### REMEDIES

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

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

- (iii) Exercise rights of setoff or recoupment and apply any and all amounts held, or hereafter held, by CFC or owed to the Borrower or for the credit or account of the Borrower against any and all of the Obligations of the Borrower now or hereafter existing hereunder or under the Note, including, but not limited to, patronage capital allocations and retirements, money due to Borrower from equity certificates purchased from CFC, and any membership or other fees that would otherwise be returned to Borrower. The rights of CFC under this section are in addition to any other rights and remedies (including other rights of setoff or recoupment) which CFC may have. The Borrower waives all rights of setoff, deduction, recoupment or counterclaim;
- (iv) Pursue all rights and remedies available to CFC that are contemplated by the Mortgage and the other Loan Documents in the manner, upon the conditions, and with the effect provided in the Mortgage and the other Loan Documents, including, but not limited to, a suit for specific performance, injunctive relief or damages;
- (v) Pursue any other rights and remedies available to CFC at law or in equity.

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

## ARTICLE VIII

### MISCELLANEOUS

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

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

The Borrower:

The address set forth in  
Schedule 1 hereto

**Section 8.02 Expenses.** Borrower shall reimburse CFC for any reasonable costs and out-of-pocket expenses paid or incurred by CFC (including, without limitation, reasonable fees and expenses of outside attorneys, paralegals and consultants) for all actions CFC takes, (a) to enforce the payment of any Obligation, to effect collection of any Mortgaged Property, or in preparation for such enforcement or collection, (b) to institute, maintain, preserve, enforce and foreclose on CFC's security interest in or Lien on any of the Mortgaged Property, whether through judicial proceedings or otherwise, (c) to restructure any of the Obligations, (d) to review, approve or grant any consents or waivers hereunder, (e) to prepare, negotiate, execute, deliver, review, amend or modify this Agreement, and (f) to prepare, negotiate, execute, deliver, review, amend or modify any other agreements, documents and instruments deemed necessary or appropriate by CFC in connection with any of the foregoing.

The amount of all such expenses identified in this Section 8.02 shall be secured by the Mortgage and shall be payable upon demand, and if not paid, shall accrue interest at the then prevailing CFC Variable Rate plus two hundred basis points.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Section 8.14. Prior Loan Documents.** It is understood and agreed that the covenants set forth in this Agreement under the Article entitled "COVENANTS" shall restate and supersede all of the covenants set forth in the corresponding Article or Articles of each Prior Loan Document dealing with covenants, regardless of the specific title or titles thereof, *except for* (a) the LCTC Purchase Provisions, (b) the CREB Provisions, and (c) any special covenant or other specific term set forth on Schedule 1 to any Prior Loan Document, unless otherwise explicitly agreed to in writing by CFC, or superseded by explicit reference thereto in this Agreement. For purposes of the foregoing, this Section 8.14 shall be deemed to amend all Prior Loan Documents, and notwithstanding termination of this Agreement for any reason, this Section 8.14 shall nevertheless survive and shall continue to amend each Prior Loan Document for as long as the respective Prior Loan Document is in effect, but only with respect to the matters set forth in this Section 8.14.

**Section 8.15 Binding Effect.** This Agreement shall become effective when it shall have been executed by both the Borrower and CFC and thereafter shall be binding upon and inure to the benefit of the Borrower and CFC and their respective successors and assigns.

**Section 8.16 Counterparts.** This Agreement may be executed in one or more counterparts, each of which will be deemed an original and all of which together will constitute one and the same document. Signature pages may be detached from the counterparts and attached to a single copy of this Agreement to physically form one document.

**Section 8.17 Rescission Fee.** The Borrower may elect not to borrow all or any portion of the CFC Commitment in which event CFC shall release the Borrower from its obligations hereunder as to such rescinded portion, provided the Borrower complies with such terms and conditions as CFC may impose for such release including, without limitation, payment of any



**SCHEDULE 1**

1. The purpose of the Project Note is for general corporate purposes, including financing of capital expenditures. The purpose of the Equity Note is to fund the purchase of LCTCs, and the proceeds thereof shall be used solely for such purpose.
2. The aggregate CFC Commitment is \$54,859,200.00, *provided, however,* that \$48,000,000.00 shall be available on the Project Note, and \$6,859,200.00 shall be available on the Equity Note.
3. Draw Period shall mean the period of beginning on the date hereof and ending on the date that is thirty-six (36) months thereof.
4. The Mortgage shall mean the Mortgage and Security Agreement, dated as of July 2, 2001, among the Borrower, CFC and RUS, as it may have been supplemented, amended, consolidated, or restated from time to time.
5. The Notes executed pursuant hereto and the amortization method for such Notes are as follows:

NOTE	LOAN NUMBER	AMOUNT	AMORTIZATION METHOD
PROJECT NOTE	AZ031-A-9001	\$48,000,000.00	Interest Only
EQUITY NOTE	AZ031-A-9002	\$6,859,200.00	Interest Only

6. The Payment Date months are March, June, September, and December.
7. The Subsidiaries of the Borrower referred to in Section 2.01.B. are:  

<u>Name of Subsidiary</u>	<u>% of Borrower's ownership</u>
N/A	
8. The date of the Borrower's balance sheet referred to in Section 2.01.H is December 31, 2008.
9. The Borrower's exact legal name is: Southwest Transmission Cooperative, Inc.
10. The Borrower's organizational type is: corporation.
11. The Borrower is organized under the laws of the state of: Arizona.
12. The Borrower's organizational identification number is: 0844458-4.
13. The place of business or, if more than one, the chief executive office of the Borrower referred to in Section 2.01.I is 1000 South Highway 80, Benson, AZ 85602.

14. The Governmental Authority referred to in Section 2.01.J. is: Arizona Corporation Commission.
15. The special condition(s) referred to in Section 4.01.K is (are):
  - A. The Borrower shall have satisfied the requirements of the Mortgage so that the Project Note executed pursuant hereto shall be an Additional Note thereunder and CFC shall have received evidence that RUS has approved the security for the Project Note under a Type IIA lien accommodation.
  - B. The Borrower shall have a positive Equity to Total Assets ratio (as defined below).
16. The special covenant(s) referred to in Section 5.01.O is (are) as follows:
  - A. In addition to the requirements set forth in Section 5.01.G. of this Agreement, the Borrower shall provide CFC with quarterly financial statements, in form and substance satisfactory to CFC, within thirty (30) days of the end of each quarterly reporting period.
  - B. The Borrower shall maintain a positive Equity to Total Assets ratio. The Borrower shall, as part of the annual financial statements, furnish to CFC evidence annually of its having achieved a positive Equity to Total Assets ratio. For purposes of the foregoing, "Equity to Total Assets" ratio shall mean the sum of memberships, member loans, patronage capital, retained earnings and current year's margins, divided by total assets.
17. The address for notices to the Borrower referred to in Section 8.01 is P.O. Box 2195, Benson, AZ 85602, Attention: General Manager, Fax: (520) 586-5279.
18. The fees referred to in Section 3.07 are listed below.

**THESE FEES ARE EFFECTIVE FOR 90 DAYS FOLLOWING TRANSMITTAL OF THIS AGREEMENT TO THE BORROWER AND ARE SUBJECT TO CHANGE AFTER THAT DATE.**

**Commitment Fee:** An amount equal to 25 basis points (25/100 of 1%) of the aggregate amount of the CFC Commitment.

**Annual Facility Fee:** An amount equal to 25 basis points (25/100 of 1%) of the aggregate amount of the CFC Commitment.



SECURED PROMISSORY NOTE

\$48,000,000.00

dated as of March 22, 2010

SOUTHWEST TRANSMISSION COOPERATIVE, INC., an Arizona corporation (the "Borrower"), for value received, hereby promises to pay, without setoff, deduction, recoupment or counterclaim, to the order of NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION (the "Payee"), at its office in Herndon, Virginia office or such other location as the Payee may designate to the Borrower, in lawful money of the United States, the principal sum of FORTY EIGHT MILLION and 00/100 DOLLARS (\$48,000,000.00), or such lesser sum of the aggregate unpaid principal amount of all advances made by the Payee pursuant to that certain Loan Agreement dated as of even date herewith between the Borrower and the Payee, as it may be amended from time to time (herein called the "Loan Agreement"), and to pay interest on all amounts remaining unpaid hereunder from the date of each advance in like money, at said office, at the rate and in amounts and payable on the dates provided in the Loan Agreement together with any other amount payable under the Loan Agreement. If not sooner paid, any balance of the principal amount and interest accrued thereon shall be due and payable thirty six (36) months from the date of the Loan Agreement (such date herein called the "Maturity Date") *provided, however,* that if such date is not a Payment Date (as defined in the Loan Agreement), then the Maturity Date shall be the Payment Date immediately preceding such date.

This Note is secured under a Mortgage and Security Agreement, dated as of July 2, 2001, among the Borrower, the Payee and the United States of America, as it may have been or shall be supplemented, amended, consolidated or restated from time to time ("Mortgage"). This Note is one of the Notes referred to in, and has been executed and delivered pursuant to, the Loan Agreement.

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

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

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

SOUTHWEST TRANSMISSION COOPERATIVE, INC.

(SEAL)

By: Don Barber

Title: CHAIRMAN

Attest: Billy L. Adams  
Secretary

Loan No. AZ031-A-9001

EQUITY NOTE

\$6,859,200.00

dated as of Mar 22, 2010, ~~2009~~

SOUTHWEST TRANSMISSION COOPERATIVE, INC., an Arizona electric cooperative corporation ("Borrower"), for value received promises to pay, without setoff, deduction, recoupment or counterclaim, to the order of NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION ("Payee") at the Payee's main office or such other place as designated by the Payee, in lawful money of the United States, the sum of the aggregate unpaid principal amount of all Advances (as defined in the Loan Agreement referred to herein) made by the Payee, pursuant to a Loan Agreement dated as of even date herewith between the Borrower and the Payee, as may be amended from time to time (the "Loan Agreement"), on the dates provided in the Loan Agreement, *provided, however*, that if not sooner paid as provided in the Loan Agreement, then any balance shall be due and payable on the date that is thirty-six (36) months from the date of the Loan Agreement (such date being the Maturity Date hereof), *provided, however*, that if such date is not a Payment Date (as defined in the Loan Agreement), then the Maturity Date shall be the Payment Date immediately preceding such date, with interest thereon in like money from the respective dates of each Advance hereunder, at the rate or rates and payable at the times provided in said Loan Agreement together with any other amount payable under the Loan Agreement.

This Note is one of the Notes referred to in, and has been executed and delivered pursuant to, the Loan Agreement.

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

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

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

SOUTHWEST TRANSMISSION  
COOPERATIVE, INC.

(SEAL)

By: Dan Banera

Title: CHAIRMAN

Attest:

[Signature]  
Secretary

Loan No. AZ031-A-9002

CFC NOTE  
AZ031-A-9002 (KHETANA)  
137218-1

## LOAN CONTRACT AMENDMENT

THIS AGREEMENT, dated as of December 1, 2009 (this "Amendment"), is between SOUTHWEST TRANSMISSION 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 July 2, 2001, as amended and supplemented (the "Loan Contract").

WHEREAS, the Borrower has incurred under the Rural Electrification 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, 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, entered into the Loan Contract;

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

WHEREAS, the Borrower proposes to borrow from the Federal Financing Bank ("FFB") Forty-eight Million Seventy-two Thousand Dollars (\$48,072,000.00) (the "FFB D-8 Loan") to finance the system extensions and additions, specifically described in the RUS Form 740(c), dated October 9, 2007, (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 D-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 31-D8 Cochise

**SECTION I. NOTES**

- (a) The note evidencing the FFB D-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 D-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 D-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 D-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 D-8 Loan as specifically described in the RUS Form 740(c), dated October 9, 2007, 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.
- (c) The Borrower shall use the proceeds of the FFB D-8 Loan, not to exceed \$48,072,000.00, to repay in full the interim financing provided by the National Rural Utilities Cooperative Finance Corporation and approved by RUS via a Lien Accommodation on August 20, 2009, designated as "LA2", to the extent there remains any unpaid principle, plus any accrued interest.

**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:

Southwest Transmission Cooperative, Inc.  
P. O. Box 2195  
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.

**SOUTHWEST TRANSMISSION COOPERATIVE, INC.**

By: *Dan Barrera*

Name: DAN BARRERA

Title: CHAIRMAN

(SEAL)

Attest: *Billy L. Adams*

Name: BILLY L. ADAMS

Title: ~~Assistant~~ Secretary

**ADMINISTRATOR  
of the  
RURAL UTILITIES SERVICE**

By: *J. A.*

Name: Jonathan Adelstein

Title: Administrator

## **SCHEDULE 1**

### **SPECIAL CONDITIONS OF ADVANCE**

The Release of the "FFB D-8" Loan funds be placed under the conditional agreement until:

Southwest Transmission Cooperative, Inc. ("SWTC") has submitted a certification executed by an officer of SWTC, in form and substance satisfactory to the Administrator, that it will use the proceeds from the FFB D8 Loan, not to exceed \$48,072,000.00, to repay in full the interim financing provided by the National Rural Utilities Cooperative Finance Corporation and approved by RUS via a Lien Accommodation on August 20, 2009, designated as "LA2" to the extent that there remains an unpaid principal balance, plus any accrued interest .

This data will be used by RUS to review your financial situation. Your response is required (7 USC 901 et seq.) and is not confidential.

valid OMB control number. The valid OMB control number for information collection is 0572-0032. The time required to complete this information collection is estimated to average 2.5 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

This data will be used by RUS to review your financial situation. Your response is required (7 USC 901 et seq.) and is not confidential.

USDA-RUS  COST ESTIMATES AND LOAN BUDGET  FOR ELECTRIC BORROWERS  To: U.S. Dept. of Agriculture, RUS, Washington, D. C. 20250	Form Approved OMB No. 0572-0032  BORROWER AND LOAN DESIGNATION AZ 31 D8  COST ESTIMATES AS OF: (Month, Year) Aug-07  LOAN PERIOD <u> 2 </u> YEARS
INSTRUCTIONS <i>See tabs "Pg 1 Instr" through "Pg 4 Instr"</i>	
SECTION A. COST ESTIMATES	

		BORROWER'S COST ESTIMATES	RUS USE ONLY
<b>I. DISTRIBUTION</b>			
<b>100 a. New Line: (Excluding Tie-Lines)</b>			
<u>Construction</u>	<u>Consumers</u>		
<u>Miles</u>			
101 Underground	0	\$0	
102 Overhead	0	0	
Total Consumers	0		
Total Miles	0.00		
Less Contributions		0	
<i>Subtotal (New Line - code 100)</i>		\$0	
<b>200 b. New Tie-Lines</b>			
<u>Line Designation</u>	<u>Miles</u>		
201	0.00	\$0	
202	0.00	0	
203	0.00	0	
204	0.00	0	
205	0.00	0	
206	0.00	0	
<i>Subtotal from page 1A</i>	Miles 0.00	0	
<i>Subtotal (Includes subtotals from pages 1A)</i>	Miles 0.00	\$0	\$0
<b>300 c. Conversion and Line Changes</b>			
<u>Line Designation</u>	<u>Miles</u>		
301	0.00	\$0	
302	0.00	0	
303	0.00	0	
304	0.00	0	
305	0.00	0	
306	0.00	0	
307	0.00	0	
308	0.00	0	
309	0.00	0	
310	0.00	0	
<i>Subtotal from page 1A</i>	Miles 0.00	0	
<i>Subtotal (Includes subtotals from pages 1A)</i>	Miles 0.00	\$0	\$0
<b>400 d. New Substations, Switching Stations, Metering Points, etc.</b>			
<u>Station Designation</u>	<u>kVA</u>	<u>kV to kV</u>	
401			\$0
402			0
403			0
404			0
405			0
406			0
<i>Subtotal</i>			\$0



SECTION A. COST ESTIMATES (cont.)

b. New Substation, Switching Stations, etc.

Station Designation	kVA	kV TO kV
1 New Tucson Substation	50000	230/24.9
2 San Joaquin Substation	50000	115/24.9
3 Sloan Substation	100000	230/69
4 Adonis Substation	50000	115/24.9
4 Saguaro Substation	2000 amp	Breaker Bay

Subtotal From Page 3A .....  
 Subtotal .....

c. Line and Station Changes

Line/Station Designation	Description of Changes
1.1 Bicknell Substation Upgrade	Add 50 MVA 115/24.9 KV Transformer
1.2 Marana-Avra Valley 115kV Line	Upgrade Line from 410 to 1272 ACSR
1.3 Naviska Substation Upgrade	Expand 115 KV Yard to 1 1/2 Breakers
1.4 Rattlesnake Substation Upgrade	Add 115 KV Transfer Bus & additional Breakers
1.5 Sandario Substation Upgrade	Add 115 KV Breakers for CAP Line
1.6 Thornydale Substaion Upgrade	Add new 115 KV Switchyard
1.7 New Valencia Switchyard	Add new 115 KV Switchyard
1.8 Sahuarita Relay Upgrade	Upgrade existing Relays to new standards
1.9 Greenlee Relay Upgrade	Upgrade existing Relays to new standards

Subtotal From page 3A through 3C .....  
 Subtotal .....

d. Other Transmission Items

1 (1)	Communications and SCADA
2 (2)	Lines and Substaion Ordinary Replacements
3 (3)	Reimbursement of General Funds (see schedule)
4 (4)	

Subtotal .....

**TOTAL TRANSMISSION.....**

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

1 a Fuel	Nameplate Rating	kW
2 b.		

**TOTAL GENERATION.....**

4. HEADQUARTERS FACILITIES

1 a. New or additional Facilities	(Attach RUS Form 740g)
2 b.	

**TOTAL HEADQUARTERS FACILITIES.....**

BORROWER'S COST ESTIMATES	RUS USE ONLY
\$6,064,284	\$6,064,284
4,654,845	5,243,610
2,117,300	
0	5,929,091
0	1,263,563
0	
0	
0	
0	
0	
0	
\$12,836,429	\$18,500,548
\$3,843,033	\$0
3,507,350	3,716,155
1,050,893	0
1,900,383	1,900,383
1,514,327	1,388,228
4,222,809	0
2,381,743	2,801,284
214,000	230,000
221,000	235,000
28,000	523,000
\$18,883,538	\$10,794,050
\$3,187,023	\$3,486,758
800,000	1,200,000
0	0
0	
\$3,987,023	\$4,686,758
<b>\$48,615,136</b>	<b>\$48,072,000</b>
\$0	
0	
<b>\$0</b>	
\$0	
0	
<b>\$0</b>	



		BORROWERS COST ESTIMATES	RUS USE ONLY
10	5. ACQUISITIONS		
101	a. Consumers Miles	\$0	
102	b.	0	
	TOTAL ACQUISITIONS.....	\$0	
10	6. ALL OTHER		
101	a.	\$0	
102	b.	0	
103	c.	0	
104	d.	0	
105	e.	0	
	TOTAL ALL OTHER.....	\$0	

**SECTION B. SUMMARY OF AMOUNTS AND SOURCES OF FINANCING**

1. GRAND TOTAL - ALL COSTS .....		\$48,615,136	\$48,072,000
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	\$0
3. NEW FINANCING REQUESTED FOR FACILITIES .....		\$48,615,136	\$48,072,000
4. RUS LOAN REQUESTED FOR FACILITIES.....	100%	\$48,615,000	\$48,072,000
5. TOTAL SUPPLEMENTAL LOAN REQUESTED .....		\$0	
<u>National Rural Utilities Cooperative Finance Corporation</u>			
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, Am. C)*		\$0	

\* identify in section A by budget purpose and separate subtotals.

**SECTION C. CERTIFICATION**

We, the undersigned, certify that:

1. 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.
2. 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.
3. 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.

10/9/2007  
Date

Donald W. Kimball  
Signature of Borrower's Manager

10/9/2007  
Date

John Nelssen  
Signature of Borrower's Chairman  
John Nelssen

Southwest Transmission Cooperative, Inc.  
Corporate Name of Borrower

GFR Initials \_\_\_\_\_

**FOR FFB USE ONLY:**

Note Identifier: \_\_\_\_\_

Purchase Date: \_\_\_\_\_

**FOR RUS USE ONLY:**

RUS Note Number: \_\_\_\_\_

Last Day for an Advance (¶3) December 31, 2014

Maximum Principal Amount (¶4) \$48,072,000.00

Final Maturity Date (¶5) December 31, 2035

First Principal Payment Date (¶8) September 31, 2013

Security Instrument (¶24) Mortgage and Security Agreement, dated as of July 2, 2001, made by and among Southwest Transmission Cooperative, Inc., United States of America and National Rural Utilities Cooperative Finance Corporation (Arizona 31-D8 Cochise)

Note Date December 1, 2009

Place of Issue Benson, Arizona

**FUTURE ADVANCE PROMISSORY NOTE**

**1. Promise to Pay.**

**FOR VALUE RECEIVED,**

**SOUTHWEST TRANSMISSION 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.

SOUTHWEST TRANSMISSION COOPERATIVE, INC.

(name of Borrower)

BY:

Signature: Dan Barrera

Print Name: DAN BARRERA

Title: ~~XXXXXXXXXX~~ CHAIRMAN

ATTEST:

(SEAL)

Signature: Billy L. Adams

Print Name: BILLY L. ADAMS

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 **December 1, 2009**, made by **SOUTHWEST TRANSMISSION 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: \_\_\_\_\_

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  <sup>7</sup>

"F" for the "fixed premium" privilege

o 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  <sup>8</sup>

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

o 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  <sup>9</sup>

"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**

<sup>1</sup>Insert 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.

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

<sup>3</sup>Insert the particular amount of funds that the Borrower requests to be advanced.

<sup>4</sup>Insert the particular calendar date that the Borrower requests to be date on which this Advance is to be made.

<sup>5</sup>Insert 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.

<sup>6</sup>Insert 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.

<sup>7</sup>Insert 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.

<sup>8</sup>Insert 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.

<sup>9</sup>Insert 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 IDENTIFIER<sup>1</sup></u>	<u>PRINCIPAL INSTALLMENT DUE<sup>2</sup></u>	<u>OPTIONAL ADDITIONAL PRINCIPAL PAYMENT<sup>3</sup></u>	<u>TOTAL AMOUNT OF PRINCIPAL TO BE PAID<sup>4</sup></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 IDENTIFIER<sup>5</sup></u>	<u>AMOUNT OF PRINCIPAL TO BE EXTENDED<sup>6</sup></u>	<u>NEW MATURITY DATE<sup>7</sup></u>	<u>PRINCIPAL REPAYMENT METHOD<sup>8</sup></u>	<u>TYPE OF PREPAY'T/ REFINAN'G PRIVILEGE<sup>9</sup></u>	<u>5-YEAR NO-CALL PERIOD<sup>10</sup></u>	<u>PREMIUM OPTION<sup>11</sup></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.**

<sup>1</sup>Complete 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.

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

<sup>3</sup>The 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.

<sup>4</sup>For 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."

<sup>5</sup>Complete 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.

<sup>6</sup>For 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.

<sup>7</sup>For 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.

<sup>8</sup>Select 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.

<sup>9</sup>Elect 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.

<sup>10</sup>Elect 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.

<sup>11</sup>Select 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"/>

ANNEX B-2

TO

NEW LOAN NOTE

FORM

OF

MATURITY EXTENSION ELECTION NOTICE

(RUS APPROVAL REQUIRED)

# MATURITY EXTENSION ELECTION NOTICE (RUS APPROVAL REQUIRED)

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*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 IDENTIFIER</u> <sup>1</sup>	<u>PRINCIPAL INSTALLMENT DUE</u> <sup>2</sup>	<u>OPTIONAL ADDITIONAL PRINCIPAL PAYMENT</u> <sup>3</sup>	<u>TOTAL AMOUNT OF PRINCIPAL TO BE PAID</u> <sup>4</sup>
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____

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 IDENTIFIER</u> <sup>5</sup>	<u>AMOUNT OF PRINCIPAL TO BE EXTENDED</u> <sup>6</sup>	<u>NEW MATURITY DATE</u> <sup>7</sup>	<u>PRINCIPAL REPAYMENT METHOD</u> <sup>8</sup>	<u>TYPE OF PREPAY'T/ REFINAN'G PRIVILEGE</u> <sup>9</sup>	<u>5-YEAR NO-CALL PERIOD</u> <sup>10</sup>	<u>PREMIUM OPTION</u> <sup>11</sup>
_____	\$ _____	_____	<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.**

<sup>1</sup>Complete 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.

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

<sup>3</sup>The 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.

<sup>4</sup>For 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."

<sup>5</sup>Complete 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.

<sup>6</sup>For 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.

<sup>7</sup>For 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.

<sup>8</sup>Select 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.

<sup>9</sup>Select 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.

<sup>10</sup>Select 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.

<sup>11</sup>Select 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"/>

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 IDENTIFIER<sup>3</sup></u>	<u>RUS ACCOUNT NUMBER<sup>4</sup></u>	<u>ORIGINAL ADVANCE DATE<sup>5</sup></u>	<u>ORIGINAL ADVANCE AMOUNT<sup>6</sup></u>	<u>OUTSTANDING PRINCIPAL AMOUNT<sup>7</sup></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 IDENTIFIER</u> <sup>9</sup>	<u>PRINCIPAL INSTALLMENT DUE (if any)</u> <sup>10</sup>	<u>AMOUNT OF PRINCIPAL TO BE PREPAID</u> <sup>11</sup>	<u>TOTAL AMOUNT OF PRINCIPAL TO BE PAID</u> <sup>12</sup>
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____

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**

<sup>1</sup>Insert 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.

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

<sup>3</sup>Complete 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.

<sup>4</sup>For 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.

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

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

<sup>7</sup>Insert 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.

<sup>8</sup>Insert 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.

<sup>9</sup>Complete 1 line in Part 3 for each Advance identified in Part 1.

<sup>10</sup>If 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.

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

<sup>12</sup>For 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>
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____

**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 IDENTIFIER<sup>3</sup></u>	<u>RUS ACCOUNT NUMBER<sup>4</sup></u>	<u>ORIGINAL ADVANCE DATE<sup>5</sup></u>	<u>ORIGINAL ADVANCE AMOUNT<sup>6</sup></u>	<u>OUTSTANDING PRINCIPAL AMOUNT<sup>7</sup></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:

9

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**

<sup>1</sup>Insert 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.

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

<sup>3</sup>Complete 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.

<sup>4</sup>For 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.

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

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

<sup>7</sup>Insert 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.

<sup>8</sup>Insert 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.

<sup>9</sup>Insert 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>
_____	_____	_____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____

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 IDENTIFIER<sup>3</sup></u>	<u>RUS ACCOUNT NUMBER<sup>4</sup></u>	<u>ORIGINAL ADVANCE DATE<sup>5</sup></u>	<u>ORIGINAL ADVANCE AMOUNT<sup>6</sup></u>	<u>OUTSTANDING PRINCIPAL AMOUNT<sup>7</sup></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<sup>9</sup></u>	<u>PRINCIPAL INSTALLMENT DUE<sup>10</sup></u>	<u>OPTIONAL ADDITIONAL PRINCIPAL PAYMENT<sup>11</sup></u>	<u>TOTAL AMOUNT OF PRINCIPAL TO BE PAID<sup>12</sup></u>
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____

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<sup>13</sup></u>	<u>AMOUNT OF PRINCIPAL TO BE REFINANCED<sup>14</sup></u>	<u>NEW MATURITY DATE<sup>15</sup></u>	<u>PRINCIPAL REPAYMENT METHOD<sup>16</sup></u>	<u>TYPE OF PREPAY'T/ REFINAN'G PRIVILEGE<sup>17</sup></u>	<u>5-YEAR NO-CALL PERIOD<sup>18</sup></u>	<u>PREMIUM OPTION<sup>19</sup></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"/>

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**

<sup>1</sup>Insert 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.

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

<sup>3</sup>Complete 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.

<sup>4</sup>For 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.

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

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

<sup>7</sup>For 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.

<sup>8</sup>Insert 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.

<sup>9</sup>Complete 1 line in Part 2 for each Advance identified in Part 1.

<sup>10</sup>For 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.

<sup>11</sup>The 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.

<sup>12</sup>For 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."

<sup>13</sup>Complete 1 line in Part 3 for each Advance.

<sup>14</sup>For 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.

<sup>15</sup>For 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.

<sup>16</sup>Select 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.

<sup>17</sup>Select 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.

<sup>18</sup>Select 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.

<sup>19</sup>Select 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 IDENTIFIER<sup>3</sup></u>	<u>RUS ACCOUNT NUMBER<sup>4</sup></u>	<u>ORIGINAL ADVANCE DATE<sup>5</sup></u>	<u>ORIGINAL ADVANCE AMOUNT<sup>6</sup></u>	<u>OUTSTANDING PRINCIPAL AMOUNT<sup>7</sup></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> <sup>9</sup>	<u>PRINCIPAL INSTALLMENT DUE</u> <sup>10</sup>	<u>OPTIONAL ADDITIONAL PRINCIPAL PAYMENT</u> <sup>11</sup>	<u>TOTAL AMOUNT OF PRINCIPAL TO BE PAID</u> <sup>12</sup>
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____

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

- <sup>1</sup>Insert 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.
- <sup>2</sup>Insert the "FFB Note Identifier" that FFB assigned to the Note (as provided in the Agreement).
- <sup>3</sup>Complete 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.
- <sup>4</sup>For 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.
- <sup>5</sup>For each Advance, insert the date on which FFB made the respective Advance to the Borrower.
- <sup>6</sup>For each Advance, insert the original principal amount of the respective Advance that FFB made to the Borrower (or that the Borrower assumed).
- <sup>7</sup>For 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.
- <sup>8</sup>Insert 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.
- <sup>9</sup>Complete 1 line in Part 2 for each Advance identified in Part 1.
- <sup>10</sup>For 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.
- <sup>11</sup>The 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.
- <sup>12</sup>For 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."
- <sup>13</sup>Complete 1 line in Part 3 for each Advance.
- <sup>14</sup>For 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.

<sup>15</sup>For 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.

<sup>16</sup>Select 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.

<sup>17</sup>Select 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.

<sup>18</sup>Select 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.

<sup>19</sup>Select 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"/>

(FFB-REIM.NTE)  
5/97

Arizona 31-D8 Cochise

FFB Note Identifier:  
\_\_\_\_\_

RUS Note Identifier:  
\_\_\_\_\_

Benson, Arizona  
Dated as of December 1, 2009

### REIMBURSEMENT NOTE

**SOUTHWEST TRANSMISSION 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 December 1, 2009 in the principal amount of \$48,072,000, 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 Mortgage and Security Agreement, dated as of July 2, 2001, 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.

SOUTHWEST TRANSMISSION COOPERATIVE,

INC.

By: *Dan Barrera*

Name: DAN BARRERA

Title: CHAIRMAN

(Seal)

Attest:

BILLY L. ADAMS Secretary

*Billy L. Adams*