

ORIGINAL

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December 21, 2012

HAND DELIVERED

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

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

Dear Sir or Madam:

In compliance with the Fifth Ordering Paragraph at page 7 of Decision No. 71511, enclosed are the following financing documents dated as of December 17, 2012:

1. The First Amendment to Loan Agreement by and between SWTC and the National Rural Utilities Cooperative Finance Corporation ("CFC");
2. The Substitute Secured Promissory Note in the amount of \$25,000,000; and
3. The Substitute Equity Note in the amount of \$3,572,500.

Your assistance in relation to this matter is appreciated.

Very truly yours,

GALLAGHER & KENNEDY, P.A.

By:

Michael M. Grant

Arizona Corporation Commission
DOCKETED
DEC 21 2012

DOCKETED BY

MMG/arp
15169-15/3207432
Enclosures

Original and 13 copies filed with Docket Control this 21st day of December, 2012.

DOCKET CONTROL
AZ CORP COMMISSION

2012 DEC 21 P 4: 28

RECEIVED

FIRST AMENDMENT TO LOAN AGREEMENT

This **FIRST AMENDMENT TO LOAN AGREEMENT** (the "Amendment") is dated as of December 17, 2012, and made by and 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.

WHEREAS, the Borrower and CFC have previously entered into a loan agreement dated as of March 22, 2010 ("Original Agreement"), pursuant to which Borrower issued (i) a promissory note to CFC, dated as of March 22, 2010, designated by CFC Loan No. AZ031-A-9001, in the original principal amount of \$48,000,000.00 and (ii) a promissory note to CFC, dated as of March 22, 2010, designated by CFC Loan No. AZ031-A-9002, in the original principal amount of \$6,859,200.00 (together, the "Original Notes");

WHEREAS, the Borrower has requested, and CFC has agreed, to (i) extend the date on which the Original Notes are due and payable, (ii) extend the Draw Period under the Original Agreement and (iii) reduce the amount of the Original Notes;

WHEREAS, the Borrower and CFC have determined to amend the Original Agreement in order to reflect such maturity extension, Draw Period extension and amount reduction and to reflect that the Original Notes will be replaced with Substitute Notes (as hereinafter defined)

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the parties, the Borrower and CFC hereby amend the Original Agreement as agree to additional terms as follows:

Section 1. Recitals. The foregoing recitals are incorporated herein by reference.

Section 2. Definitions. Capitalized terms that are not defined herein shall have the meanings assigned to them in the Original Agreement. If not otherwise defined therein or herein, any capitalized financial terms shall be defined in accordance with generally accepted accounting principles.

"Substitute Notes" shall mean the substitute promissory notes executed by the Borrower pursuant to this Amendment, as more particularly described in Section 4 hereof.

Section 3. Amendment.

A. Section 3.02.A(i) of the Original Agreement is hereby deleted in its entirety and is hereby replaced with the following:

"(i) The Project Note shall have a Maturity Date of December 31, 2014, *provided, however*, that if such date is not a Payment Date, then the Maturity Date shall be the Payment Date immediately preceding such date."

B. Items 2 and 3 of Schedule 1 to the Original Agreement are hereby deleted in their entirety and are hereby replaced with the following:

"2. The aggregate CFC Commitment is \$28,572,500.00, *provided, however*, that \$25,000,000.00 shall be available on the Project Note, and \$3,572,500.00 shall be available on the Equity Note.

3. Draw Period shall mean the period of beginning on the date hereof and ending on December 31, 2014."

C. Item 5 of Schedule 1 to the Original Agreement is hereby deleted in its entirety and is hereby replaced with the following:

"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	\$25,000,000.00	Interest Only
EQUITY NOTE	AZ031-A-9002	\$3,572,500.00	Interest Only"

Section 4. Substitute Notes. Borrower hereby agrees to execute and to deliver to CFC the Substitute Notes in the amount and reflecting the Maturity Dates listed below:

Substitute Note	Loan Number	Amount	Note Date	Maturity Date
Substitute Secured Promissory Note	AZ031-A-9001	\$25,000,000.00	Even Date Herewith	12/31/14
Substitute Equity Note	AZ031-A-9002	\$3,572,500.00	Even Date Herewith	12/31/14

For the avoidance of doubt, the Substitute Notes are made and entered into by the Borrower in substitution for the Original Notes. The debt outstanding under the Substitute Notes shall not be affected by the cancellation of the Original Notes. Until and after maturity (whether by demand, stated maturity, acceleration or otherwise), all amounts outstanding under the Original Notes and the Original Agreement with respect to the Original Notes shall be payable as stated herein and in the Substitute Notes.

Section 5. Effectiveness of Amendment. This Amendment and the terms hereof shall be effective on the Effective Date set forth on the signature page hereof.

Section 6. Representations and Warranties. As a further inducement for CFC to enter into this Amendment, the Borrower represents and warrants that:

6.1 Good Standing. The Borrower is a corporation organized and validly existing and in good standing under the laws of the state of its incorporation, is duly qualified in those states in which it is required to be qualified to conduct its business and has corporate power to enter into and perform this Amendment.

6.2 Authority. The execution, delivery and performance by the Borrower of this Amendment and the performance hereof, have been duly authorized by all necessary corporate action and will not violate any provision of law or of the articles of incorporation or bylaws of the Borrower, or result in a breach of, or constitute a default under, any agreement, indenture or other instrument to which the Borrower is a party or by which it may be bound. The individual executing this Amendment has been duly authorized to act on behalf of the Borrower and has the requisite authority to bind the Borrower to the terms hereof without further action of, and without obtaining any additional approvals from, the Borrower's governing body or any other person or entity.

6.3 Material Adverse Change. There has been no material adverse change in the financial condition or operations of the Borrower since the date of the Original Agreement, except as set forth in the most recent financial statements submitted to CFC or as otherwise disclosed in writing to CFC prior to the date hereof.

6.4 REQUIRED APPROVALS. NO LICENSE, CONSENT OR APPROVAL OF ANY GOVERNMENTAL AGENCY OR AUTHORITY IS REQUIRED TO ENABLE THE BORROWER TO ENTER INTO THIS AMENDMENT, OR TO PERFORM ANY OF THE OBLIGATIONS PROVIDED FOR HEREIN, EXCEPT AS HAVE BEEN OBTAINED BY THE BORROWER AND DELIVERED TO CFC PRIOR TO THE DATE HEREOF.

6.5 Prior Representations and Warranties. All representations and warranties made by the Borrower in the Original Agreement are true and correct as of the date hereof.

6.6 Compliance with Original Agreement. Borrower is not in default with respect to any of the covenants, terms or conditions of the Original Agreement.

Section 7. Additional Conditions of Closing. In addition to the conditions set forth in the Original Agreement, the obligation of CFC to enter into this Amendment is subject to the satisfaction of the following conditions:

A. Documents. CFC shall have been furnished with executed copies, satisfactory to CFC, of this Amendment, the Substitute Notes and certified copies, satisfactory to CFC, of all such corporate documents and proceedings of the Borrower authorizing the transactions hereby contemplated as CFC shall require. CFC shall have received an opinion of counsel for the Borrower covering such matters as CFC may reasonably request with respect to this Amendment.

B. Government Approvals. The Borrower shall have furnished to CFC true and correct copies of all certificates, authorizations and consents necessary for the execution, delivery or performance by the Borrower of this Amendment and the Substitute Notes.

C. Prior Advances. Prior to the Effective Date, no more than \$25,000,000.00 shall have been advanced on the Project Note and no more than \$3,572,500.00 shall have been advanced on the Equity Note.

Section 8. Miscellaneous.

8.1 Modifications. This Amendment constitutes "additional terms and conditions agreed to in writing by the parties", as referenced in the Original Agreement. No modification or waiver of any provision of this Amendment, and no consent to any departure by Borrower therefrom, shall in any event be effective unless the same shall be in writing by the party granting such modification, waiver or consent.

8.2 Merger and Integration. This Amendment, the Original Agreement and the matters incorporated by reference contain the entire agreement of the parties hereto with respect to the matters covered and the transactions contemplated hereby.

8.3 Incorporation; Inconsistency with Original Agreement. Except as otherwise amended or modified herein, the terms, conditions and provisions of the Original Agreement are incorporated herein by reference as if set forth in full herein and remain in full force and effect. In the event of any conflict or inconsistency between the terms of this Amendment and the Original Agreement, the terms of this Amendment shall control. Nothing in this Amendment shall, however, eliminate or modify any special condition, special affirmative covenant or special negative covenant, if any, specified in the Original Agreement.

8.4 GOVERNING LAW; SUBMISSION TO JURISDICTION; WAIVER OF JURY TRIAL.

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

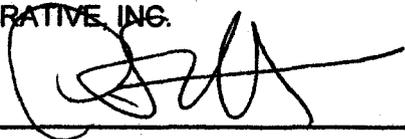
(B) THE BORROWER HEREBY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF THE UNITED STATES COURTS LOCATED IN VIRGINIA AND OF ANY STATE COURT SO LOCATED FOR PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AMENDMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. THE BORROWER IRREVOCABLY WAIVES, 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 AMENDMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

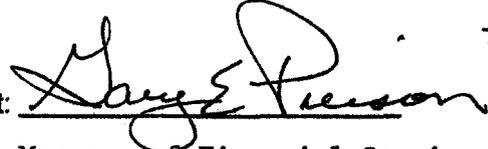
IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed as of the day and year first above written.

SOUTHWEST TRANSMISSION
COOPERATIVE, INC.

(SEAL)

By: 

Title: Chief Financial Officer

Attest: 

Title: Manager of Financial Services

NATIONAL RURAL UTILITIES COOPERATIVE
FINANCE CORPORATION

(SEAL)

By: _____
Assistant Secretary-Treasurer

Attest: _____
Assistant Secretary-Treasurer

Loan Number: AZ031-A-9001 & 9002 Amendment #1

Effective Date: _____ (to be filled in by CFC)

SUBSTITUTE SECURED PROMISSORY NOTE

\$25,000,000.00

dated as of December 17, 2012

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 Dulles, Virginia or such other location as the Payee may designate to the Borrower, in lawful money of the United States, the principal sum of TWENTY FIVE MILLION AND 00/100 DOLLARS (\$25,000,000.00), 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 March 22, 2010, as amended by the First Amendment to Loan Agreement, dated as of even date herewith, each between the Borrower and the Payee, as it may be amended from time to time (herein called the "Loan Agreement"), and to pay interest on all amounts remaining unpaid hereunder from the date of each advance in like money, at said office, at the rate and in amounts and payable on the dates provided in the Loan Agreement together with any other amount payable under the Loan Agreement. If not sooner paid, any balance of the principal amount and interest accrued thereon shall be due and payable on December 31, 2014 (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, between the Borrower, the United States of America and the Payee, as it may have been or shall be supplemented, amended, consolidated or restated from time to time ("Mortgage"). This Note is made in substitution and lieu of the Secured Promissory Note designated AZ031-A-9001 dated as of March 22, 2010 and shall not constitute a novation of the indebtedness evidenced thereby. This Note is the Project Note referred to in, and has been executed and delivered pursuant to, the Loan Agreement.

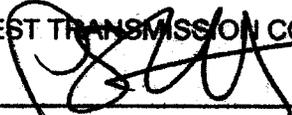
The principal hereof and interest accrued thereon and any other amount due under the Loan Agreement may be declared to be forthwith due and payable in the manner, upon the conditions, and with the effect provided in the Mortgage or the Loan Agreement.

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

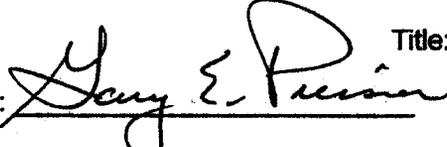
IN WITNESS WHEREOF the Borrower has caused this Note to be signed in its corporate name and its corporate seal to be hereunto affixed and to be attested by its duly authorized officers, all as of the day and year first above written.

(SEAL)

SOUTHWEST TRANSMISSION COOPERATIVE, INC.

By: 

Title: Chief Financial Officer

Attest: 

Title: Manager of Financial Services

Loan No.: AZ031-A-9001

SUBSTITUTE EQUITY NOTE

\$3,572,500.00

dated as of December 17, 2012

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 Dulles, Virginia or such other location as the Payee may designate to the Borrower, in lawful money of the United States, the principal sum of THREE MILLION FIVE HUNDRED SEVENTY TWO THOUSAND FIVE HUNDRED AND 00/100 DOLLARS (\$3,572,500.00), 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 March 22, 2010, as amended by the First Amendment to Loan Agreement, dated as of even date herewith, each between the Borrower and the Payee, as it may be amended from time to time (herein called the "Loan Agreement"), and to pay interest on all amounts remaining unpaid hereunder from the date of each advance in like money, at said office, at the rate and in amounts and payable on the dates provided in the Loan Agreement together with any other amount payable under the Loan Agreement. If not sooner paid, any balance of the principal amount and interest accrued thereon shall be due and payable on December 31, 2014 (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 made in substitution and lieu of the Equity Note designated AZ031-A-9002 dated as of March 22, 2010 and shall not constitute a novation of the indebtedness evidenced thereby. This Note is the Equity Note referred to in, and has been executed and delivered pursuant to, the Loan Agreement.

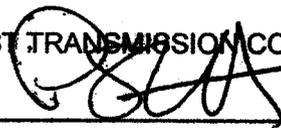
The principal hereof and interest accrued thereon and any other amount due under the Loan Agreement may be declared to be forthwith due and payable in the manner, upon the conditions, and with the effect provided in the Loan Agreement.

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

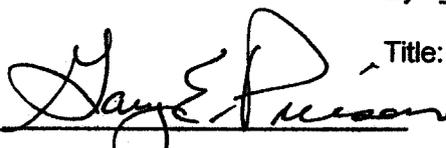
IN WITNESS WHEREOF the Borrower has caused this Note to be signed in its corporate name and its corporate seal to be hereunto affixed and to be attested by its duly authorized officers, all as of the day and year first above written.

(SEAL)

SOUTHWEST TRANSMISSION COOPERATIVE, INC.

By: 

Title: Chief Financial Officer

Attest: 

Title: Manager of Financial Services

Loan No.: AZ031-A-9002