

# Exhibit 1

RUS Project Designation:  
COLORADO 33-AC8 DOLORES

RUS LOAN CONTRACT

An Agreement Made By And Between  
EMPIRE ELECTRIC ASSOCIATION, INC.,

as Borrower

and

UNITED STATES OF AMERICA,

as Lender

Dated as of November 1, 2010

UNITED STATES DEPARTMENT OF AGRICULTURE  
RURAL UTILITIES SERVICE

No. \_\_\_\_\_

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## RUS LOAN CONTRACT

AGREEMENT, dated as of November 1, 2010, between EMPIRE ELECTRIC ASSOCIATION, INC. ("Borrower"), a corporation organized and existing under the laws of the State of Colorado (the "State"), and the UNITED STATES OF AMERICA, acting by and through the Administrator of the Rural Utilities Service ("RUS").

### RECITALS

The Borrower has applied to RUS for financial assistance for the purpose(s) set forth in Schedule 1 hereto.

RUS is willing to extend financial assistance to the Borrower pursuant to the Rural Electrification Act of 1936, as amended, on the terms and conditions stated herein.

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

### ARTICLE I

#### DEFINITIONS

Capitalized terms that are not defined herein shall have the meanings as set forth in the Mortgage. The terms defined herein include the plural as well as the singular and the singular as well as the plural.

Act shall mean the Rural Electrification Act of 1936, as amended.

Advance or Advances shall mean advances of Loan funds to the Borrower which have been made or approved by RUS pursuant to the terms and conditions of this Agreement.

Agreement shall mean this Loan Contract together with all schedules and exhibits and also any subsequent supplements or amendments.

Business Day shall mean any day that RUS is open for business.

Contemporaneous Loan shall mean any loan which the Borrower has used to satisfy RUS Regulations or loan conditions requiring that supplemental financing be obtained in order to obtain a loan from RUS. Any loan used to refinance or refund a Contemporaneous Loan is also considered to be a Contemporaneous Loan.

Coverage Ratios shall mean, collectively, the following financial ratios: (i) TIER of 1.25; (ii) Operating TIER of 1.1; (iii) DSC of 1.25; and Operating DSC of 1.1.

Debt Service Coverage Ratio ("DSC") shall have the meaning provided in the Mortgage.

Distributions shall mean for the Borrower to, in any calendar year, declare or pay any dividends, or pay or determine to pay any patronage refunds, or retire any patronage capital or make any other Cash Distributions, to its members, stockholders or consumers; provided, however, that for the purposes of this Agreement a "Cash Distribution" shall be deemed to include any general cancellation or abatement of charges for electric energy or services furnished by the Borrower, but not the repayment of a membership fee upon termination of a membership or the rebate of an abatement of wholesale power costs previously incurred pursuant to an order of a state regulatory authority or a wholesale power cost adjustment clause or similar power pricing agreement between the Borrower and

a power supplier.

**Electric System** shall have the meaning as defined in the Mortgage.

**Equity** shall mean the Borrower's total margins and equities computed pursuant to RUS Accounting Requirements but excluding any Regulatory Created Assets.

**Event of Default** shall have the meaning as defined in Section 7.1.

**Final Maturity Date** shall have the meaning as defined in the Note.

**Independent** when used with respect to any specified person or entity means such a person or entity who (1) is in fact independent, (2) does not have any direct financial interest or any material indirect financial interest in the Borrower or in any affiliate of the Borrower and (3) is not connected with the Borrower as an officer, employee, promoter, underwriter, trustee, partner, director or person performing similar functions.

**Interest Expense** shall mean the interest expense of the Borrower computed pursuant to RUS Accounting Requirements.

**Loan** shall mean the loan described in Article III which is being made or guaranteed pursuant to the RUS Commitment in furtherance of the objectives of the Act.

**Loan Documents** shall mean, collectively, this Agreement, the Mortgage and the Note and shall also include any Reimbursement Note.

**Long-Term Debt** shall mean the total of all amounts included in the long-term debt of the Borrower pursuant to RUS Accounting Requirements.

**Monthly Payment Date** shall have the meaning as defined in the Note.

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

**Mortgaged Property** shall have the meaning as defined in the Mortgage.

**Net Utility Plant** shall mean the amount constituting the Total Utility Plant of the Borrower, less depreciation, computed in accordance with RUS Accounting Requirements.

**Note** shall mean a promissory note or notes executed by the Borrower in the form of Exhibit A hereto, and any note executed and delivered to RUS or to the Federal Financing Bank (FFB) to refund, or in substitution for such a note. If the RUS Commitment includes both a commitment by RUS to make a loan and also a commitment by RUS to guarantee a loan made by FFB, then Exhibit A includes both forms. Note shall also mean any promissory note or notes executed by the Borrower and delivered to a third party in connection with a loan that RUS has guaranteed as to payment pursuant to a master loan guaranty agreement.

**Operating DSC or ODSC** shall mean Operating Debt Service Coverage calculated as:

$$\text{ODSC} = \frac{A+B+C}{D}$$

where:

All amounts are for the same calendar year and are computed pursuant to RUS Accounting Requirements and

RUS Form 7;

A = Depreciation and Amortization Expense of the Electric System;

B = Interest Expense on Total Long-Term Debt of the Electric System, except that such Interest Expense shall be increased by 1/3 of the amount, if any, by which the Restricted Rentals of the Electric System exceed 2 percent of the Borrower's Equity;

C = Patronage capital & operating margins of the Electric System, (which equals operating revenue and patronage capital of Electric System operations, less total cost of electric service, including Interest Expense on Total Long-Term Debt of the Electric System) plus cash received from the retirement of patronage capital by suppliers of electric power and by lenders for credit extended for the Electric System; and

D = Debt service billed which equals the sum of all payments of principal and interest required to be made on account of Total Long-Term Debt of the Electric System during the calendar year, plus 1/3 of the amount, if any, by which Restricted Rentals of the Electric System exceed 2 percent of the Mortgagor's Equity.

**Operating TIER or OTIER** shall mean Operating Times Interest Earned Ratio calculated as:

$$\text{OTIER} = \frac{A+B}{A}$$

where:

All amounts are for the same calendar year and are computed pursuant to RUS Accounting Requirements and RUS Form 7;

A = Interest Expense on Total Long-Term Debt of the Electric System, except that such Interest Expense shall be increased by 1/3 of the amount, if any, by which Restricted Rentals of the Electric System exceed 2 percent of the Mortgagor's Equity; and

B = Patronage capital & operating margins of the Electric System, (which equals operating revenue and patronage capital of Electric System operations, less total cost of electric service, including Interest Expense on Total Long-Term Debt of the Electric System) plus cash received from the retirement of patronage capital by suppliers of electric power and by lenders for credit extended for the Electric System.

**Permitted Debt** shall have the meaning as defined in Section 6.13.

**Prior Loan Contracts** shall mean all loan and loan guarantee agreements, if any, previously entered into by and between RUS and the Borrower.

**Regulatory Created Assets** shall mean the sum of any amounts properly recordable as unrecovered plant and regulatory study costs or as other regulatory assets, computed pursuant to RUS Accounting Requirements.

**Reimbursement Note** shall mean any demand note of the Borrower which evidences the Borrower's obligation to immediately repay RUS any payments which RUS makes on behalf of the Borrower on the Note pursuant to a RUS guaranty if one has been provided under the terms of the RUS Commitment.

**RUS Accounting Requirements** shall mean any system of accounts prescribed by RUS Regulations as such RUS Accounting Requirements exist at the date of applicability thereof.

**RUS Commitment** shall have the meaning as defined in Schedule 1 hereto.

**RUS Regulations** shall mean regulations of general applicability published by RUS from time to time as they exist at the date of applicability thereof, and shall also include any regulations of other federal entities which RUS is required by law to implement.

**Special Construction Account** shall have the meaning as defined in Section 5.21.

**Subsidiary** shall mean a corporation that is a subsidiary of the Borrower and subject to the Borrower's control, as defined by RUS Accounting Requirements.

**Termination Date** shall mean the date specified in the Note after which no further Advances shall be made under the terms of the RUS Commitment.

**Times Interest Earned Ratio ("TIER")** shall have the meaning provided in the Mortgage.

**Total Assets** shall mean an amount constituting the total assets of the Borrower as computed pursuant to RUS Accounting Requirements, but excluding any Regulatory Created Assets.

**Total Utility Plant** shall mean the amount constituting the total utility plant of the Borrower computed in accordance with RUS Accounting Requirements.

**Utility System** shall have the meaning as defined in the Mortgage.

## ARTICLE II

### REPRESENTATIONS AND WARRANTIES

#### Section 2.1. Representations and Warranties.

To induce RUS to make the Loan, and recognizing that RUS is relying hereon, the Borrower represents and warrants as follows:

- (a) **Organization; Power, Etc. The Borrower:** (i) is an organization of the type and organized in the jurisdiction set forth on the first page hereof, and is duly organized, validly existing, and in good standing under the laws of its state of incorporation; (ii) is duly qualified to do business and is in good standing in each jurisdiction in which the transaction of its business makes such qualification necessary; (iii) has all requisite corporate and legal power to own and operate its assets and to carry on its business and to enter into and perform the Loan Documents; (iv) has duly and lawfully obtained and maintained all licenses, certificates, permits, authorizations, approvals, and the like which are material to the conduct of its business or which may be otherwise required by law; and (v) is eligible to obtain the financial assistance from RUS contemplated by this Agreement.
- (b) **Authority.** The execution, delivery and performance by the Borrower of this Agreement and the other Loan Documents and the performance of the transactions contemplated thereby have been duly authorized by all necessary corporate action and shall not violate any provision of law or of the Articles of Incorporation or By-Laws 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.

- (c) Consents. No consent, permission, authorization, order, or license of any governmental authority is necessary in connection with the execution, delivery, performance, or enforcement of the Loan Documents, except (i) such as have been obtained and are in full force and effect and (ii) such as have been disclosed on Schedule 1 hereto.
- (d) Binding Agreement. Each of the Loan Documents is, or when executed and delivered shall be, the legal, valid, and binding obligation of the Borrower, enforceable in accordance with its terms, subject only to limitations on enforceability imposed by applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws affecting creditors' rights generally.
- (e) Compliance with Laws. The Borrower is in compliance in all material respects with all federal, state, and local laws, rules, regulations, ordinances, codes, and orders (collectively, "Laws"), the failure to comply with which could have a material adverse effect on the condition, financial or otherwise, operations, properties, or business of the Borrower, or on the ability of the Borrower to perform its obligations under the Loan Documents, except as the Borrower has disclosed to RUS in writing.
- (f) Litigation. There are no pending legal, arbitration, or governmental actions or proceedings to which the Borrower is a party or to which any of its property is subject which, if adversely determined, could have a material adverse effect on the condition, financial or otherwise, operations, properties, profits or business of the Borrower, or on the ability of the Borrower to perform its obligations under the Loan Documents, and to the best of the Borrower's knowledge, no such actions or proceedings are threatened or contemplated, except as the Borrower has disclosed to RUS in writing.
- (g) Title to Property. As to property which is presently included in the description of Mortgaged Property, the Borrower holds good and marketable title to all of its real property and owns all of its personal property free and clear of any Lien except Permitted Encumbrances or Liens permitted under the Mortgage.
- (h) Financial Statements; No Material Adverse Change; Etc. All financial statements submitted to RUS in connection with the application for the Loan or in connection with this Agreement fairly and fully present the financial condition of the Borrower and the results of the Borrower's operations for the periods covered thereby and are prepared in accordance with RUS Accounting Requirements consistently applied. Since the dates thereof, there has been no material adverse change in the financial condition or operations of the Borrower. All budgets, projections, feasibility studies, and other documentation submitted by the Borrower to RUS are based upon assumptions that are reasonable and realistic, and as of the date hereof, no fact has come to light, and no event or transaction has occurred, which would cause any assumption made therein not to be reasonable or realistic.
- (i) Principal Place of Business; Records. The principal place of business and chief executive office of the Borrower is at the address of the Borrower shown on Schedule 1 attached hereto.
- (j) Location of Properties. All property owned by the Borrower is located in the counties identified in Schedule 1 hereto.
- (k) Subsidiaries. The Borrower has no subsidiary, except as the Borrower has disclosed to RUS in writing.

- (l) Legal Name. The Borrower's exact legal name is that indicated on the signature page.
- (m) Organizational Number. Schedule 1 hereto accurately sets forth the Borrower's organizational identification number or accurately states that the Borrower has none.
- (n) Defaults Under Other Agreements. The Borrower is not in default under any agreement or instrument to which it is a party or under which any of its properties are subject that is material to its financial condition, operations, properties, profits, or business.
- (o) Survival. All representations and warranties made by the Borrower herein or made in any certificate delivered pursuant hereto shall survive the making of the Advances and the execution and delivery to RUS of the Note.

## ARTICLE III

### LOAN

#### **Section 3.1. Advances.**

RUS agrees to make, or in the case of any loan guaranteed by RUS, approve, and the Borrower agrees to request, on the terms and conditions of this Agreement, Advances from time to time in an aggregate principal amount not to exceed the RUS Commitment. On the Termination Date, RUS may stop advancing funds and limit the RUS Commitment to the amount advanced prior to such date. The obligation of the Borrower to repay the Advances shall be evidenced by the Note in the principal amount of the unpaid principal amount of the Advances from time to time outstanding. The Borrower shall give RUS written notice of the date on which each Advance is to be made.

#### **Section 3.2. Interest Rate and Payment.**

Each Note shall be payable and bear interest as follows:

- (a) Payments and Amortization. Principal shall be amortized in accordance with one or more methods stated in Schedule 1 hereto and more fully described in the form of each Note attached hereto as Exhibit A.
- (b) Application of Payments. All payments which the Borrower sends to RUS on any outstanding obligation owed to or guaranteed by RUS shall be applied in the manner provided in the Borrower's Loan Documents to which such payments relate and in a manner consistent with RUS policies, practices, and procedures for obligations that have been similarly classified by RUS.
- (c) Electronic Funds Transfer. Except as otherwise prescribed by RUS, the Borrower shall make all payments on each Note utilizing electronic funds transfer procedures as specified by RUS.
- (d) Fixed or Variable Rate. Each Note shall bear interest at either a fixed or variable rate in accordance with one or more methods stated in Schedule 1 hereto and as more particularly described in the form of each Note attached hereto as Exhibit A.

#### **Section 3.3. Prepayment.**

The Borrower has no right to prepay a Note in whole or in part except such rights, if any, as are

expressly provided for in a Note or applicable federal statutes. However, prepayment of a Note (and any penalties) shall be mandatory under Section 5.3 hereof if the Borrower has used a Contemporaneous Loan in order to qualify for the RUS Commitment, and later prepays the Contemporaneous Loan.

## ARTICLE IV

### CONDITIONS OF LENDING

#### Section 4.1. General Conditions.

The obligation of RUS to make or, in the case of any Loan guaranteed by RUS, approve to be made any Advance hereunder is subject to satisfaction of each of the following conditions precedent on or before the date of such Advance:

- (a) Legal Matters. All legal matters incident to the consummation of the transactions hereby contemplated shall be satisfactory to counsel for RUS.
- (b) Loan Documents. That RUS receive duly executed originals of this Agreement and the other Loan Documents.
- (c) Authorization. That RUS receive evidence satisfactory to it that all corporate documents and proceedings of the Borrower necessary for duly authorizing the execution, delivery and performance of the Loan Documents have been obtained and are in full force and effect.
- (d) Approvals. That RUS receive evidence satisfactory to it that all consents and approvals (including without limitation the consents referred to in Section 2.1(c) of this Agreement) which are necessary for, or required as a condition of, the validity and enforceability of each of the Loan Documents have been obtained and are in full force and effect.
- (e) Event of Default. That no Event of Default specified in Article VII and no event which, with the lapse of time or the notice and lapse of time specified in Article VII would become such an Event of Default, shall have occurred and be continuing, or shall have occurred after giving effect to the Advance on the books of the Borrower.
- (f) Continuing Representations and Warranties. That the representations and warranties of the Borrower contained in this Agreement be true and correct on and as of the date of such Advance as though made on and as of such date.
- (g) Opinion of Counsel. That RUS receive an opinion of counsel for the Borrower (who shall be acceptable to RUS) in form and content acceptable to RUS.
- (h) Mortgage Filing. The Mortgage shall have been duly recorded as a mortgage on real property, including after-acquired real property, and a financing statement shall have been duly filed, recorded and indexed as a security interest in personal property, including after acquired personal property, wherever RUS shall have requested, all in accordance with applicable law, and the Borrower shall have caused satisfactory evidence thereof to be furnished to RUS.
- (i) Wholesale Power Contract. That the Borrower shall not be in default under the terms of, or contesting the validity of, any contract for sales for resale that has been pledged by any entity to RUS as security for the repayment of any loan made or guaranteed by RUS under

the Act.

- (j) Material Adverse Change. That there has occurred no material adverse change in the business or condition, financial or otherwise, of the Borrower and nothing has occurred which in the opinion of RUS materially and adversely affects the Borrower's ability to meet its obligations hereunder.
- (k) Requisitions. That the Borrower shall requisition all Advances by submitting its requisition to RUS in form and substance satisfactory to RUS. Requisitions shall be made only for the purpose(s) set forth herein. The Borrower agrees to apply the proceeds of the Advances in accordance with its loan application with such modifications as may be mutually agreed.
- (l) Flood Insurance. That for any Advance used in whole or in part to finance the construction or acquisition of any building in any area identified by the Secretary of Housing and Urban Development pursuant to the Flood Disaster Protection Act of 1973 (the "Flood Insurance Act") or any rules, regulations or orders issued to implement the Flood Insurance Act ("Rules") as any area having special flood hazards, or to finance any facilities or materials to be located in any such building, or in any building owned or occupied by the Borrower and located in such a flood hazard area, the Borrower has submitted evidence, in form and substance satisfactory to RUS, or RUS has otherwise determined, that (i) the community in which such area is located is then participating in the national flood insurance program, as required by the Flood Insurance Act and any Rules, and (ii) the Borrower has obtained flood insurance coverage with respect to such building and contents as may then be required pursuant to the Flood Insurance Act and any Rules.
- (m) Compliance with Loan Contract and Mortgage. That the Borrower is in material compliance with all provisions of this Agreement and the Mortgage.

**Section 4.2. Special Conditions.**

The obligation of RUS to make or, in the case of any Loan guaranteed by RUS, approve to be made any Advance hereunder is also subject to satisfaction, on or before the date of such Advance, of each of the special conditions, if any, listed in Schedule 1 hereto.

**ARTICLE V**

**AFFIRMATIVE COVENANTS**

**Section 5.1. Generally.**

Unless otherwise agreed to in writing by RUS, while this Agreement is in effect, whether or not any Advance is outstanding, the Borrower agrees to duly observe each of the affirmative covenants contained in this Article.

**Section 5.2. Annual Certificates.**

- (a) Performance under Loan Documents. The Borrower shall duly observe and perform all of its obligations under each of the Loan Documents.
- (b) Annual Certification. Within ninety (90) days after the close of each calendar year, commencing with the year following the year in which the initial Advance hereunder shall have been made, the Borrower shall deliver to RUS a written statement signed by its

General Manager, stating that during such year the Borrower has fulfilled all of its obligations under the Loan Documents throughout such year in all material respects 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.

**Section 5.3. Simultaneous Prepayment of Contemporaneous Loans.**

If the Borrower shall at any time prepay in whole or in part the Contemporaneous Loan described on Schedule 1, the Borrower shall prepay the RUS Note correspondingly in order to maintain the ratio that the Contemporaneous Loan bears to the RUS Commitment. If the RUS Note calls for a prepayment penalty or premium, such amount shall be paid but shall not be used in computing the amount needed to be paid to RUS under this section to maintain such ratio. In the case of Contemporaneous Loans and RUS Notes existing prior to the date of this Agreement under previous agreements, prepayments shall be treated as if governed by this section. Provided, however, in all cases prepayments associated with refinancing or refunding a Contemporaneous Loan pursuant to Article II of the Mortgage are not considered to be prepayments for purposes of this Agreement if they satisfy each of the following requirements:

- (a) Principal. The principal amount of such refinancing or refunding loan is not less than the amount of loan principal being refinanced; and
- (b) Weighted Average Life. The weighted average life of the refinancing or refunding loan is not less than the weighted average remaining life of the loan being refinanced.

**Section 5.4. Rates to Provide Revenue Sufficient to Meet Coverage Ratios Requirements.**

- (a) Prospective Requirement. The Borrower shall design and implement rates for utility service furnished by it to provide sufficient revenue (along with other revenue available to the Borrower in the case of TIER and DSC) (i) to pay all fixed and variable expenses when and as due, (ii) to provide and maintain reasonable working capital, and (iii) to maintain, on an annual basis, the Coverage Ratios. In designing and implementing rates under this paragraph, such rates should be capable of producing at least enough revenue to meet the requirements of this paragraph under the assumption that average weather conditions in the Borrower's service territory shall prevail in the future, including average Utility System damage and outages due to weather and the related costs.
- (b) Retrospective Requirement. The average Coverage Ratios achieved by the Borrower in the 2 best years out of the 3 most recent calendar years must be not less than any of the following:

TIER =	1.25
DSC =	1.25
OTIER =	1.1
ODSC =	1.1

- (c) Prospective Notice of Change in Rates. The Borrower shall give thirty (30) days prior written notice of any proposed change in its general rate structure to RUS if RUS has requested in writing that it be notified in advance of such changes.
- (d) Routine Reporting of Coverage Ratios. Promptly following the end of each calendar year, the Borrower shall report, in writing, to RUS the TIER, Operating TIER, DSC and Operating DSC levels which were achieved during that calendar year.

- (e) Reporting Non-achievement of Retrospective Requirement. If the Borrower fails to achieve the average levels required by paragraph (b) of this section, it must promptly notify RUS in writing to that effect.
- (f) Corrective Plans. Within 30 days of sending a notice to RUS under paragraph (e) of this section, or of being notified by RUS, whichever is earlier, the Borrower in consultation with RUS, shall provide a written plan satisfactory to RUS setting forth the actions that shall be taken to achieve the required Coverage Ratios on a timely basis.
- (g) Noncompliance. Failure to design and implement rates pursuant to paragraph (a) of this section and failure to develop and implement the plan called for in paragraph (f) of this section shall constitute an Event of Default under this Agreement in the event that RUS so notifies the Borrower to that effect under section 7.1(d) of this Agreement.

**Section 5.5. Depreciation Rates.**

The Borrower shall adopt as its depreciation rates only those which have been previously approved for the Borrower by RUS.

**Section 5.6. Property Maintenance.**

The Borrower shall maintain and preserve its Utility System in compliance in all material respects with the provisions of the Mortgage, RUS Regulations and all applicable laws.

**Section 5.7. Financial Books.**

The Borrower shall at all times keep, and safely preserve, proper books, records and accounts in which full and true entries shall be made of all of the dealings, business and affairs of the Borrower and its Subsidiaries, in accordance with any applicable RUS Accounting Requirements.

**Section 5.8. Rights of Inspection.**

The Borrower shall afford RUS, through its representatives, reasonable opportunity, at all times during business hours and upon prior notice, to have access to and the right to inspect the Utility System, any other property encumbered by the Mortgage, and any or all books, records, accounts, 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, including its Subsidiaries, if any, and to make copies or extracts therefrom.

**Section 5.9. Area Coverage.**

- (a) The Borrower shall make diligent effort to extend electric service to all unserved persons within the service area of the Borrower who (i) desire such service and (ii) meet all reasonable requirements established by the Borrower as a condition of such service.
- (b) If economically feasible and reasonable considering the cost of providing such service and/or the effects on consumers' rates, such service shall be provided, to the maximum extent practicable, at the rates and minimum charges established in the Borrower's rate schedules, without the payment of such persons, other than seasonal or temporary consumers, of a contribution in aid of construction. A seasonal consumer is one that demands electric service only during certain seasons of the year. A temporary consumer is a seasonal or year-round consumer that demands electric service over a period of less than five years.

- (c) The Borrower may assess contributions in aid of construction provided such assessments are consistent with this section.

**Section 5.10. Real Property Acquisition.**

In acquiring real property, the Borrower shall comply in all material respects with the provisions of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (the "Uniform Act"), as amended by the Uniform Relocation Act Amendments of 1987, and 49 CFR part 24, referenced by 7 CFR part 21, to the extent the Uniform Act is applicable to such acquisition.

**Section 5.11. "Buy American" Requirements.**

The Borrower shall use or cause to be used in connection with the expenditures of funds advanced on account of the Loan only such unmanufactured articles, materials, and supplies as have been mined or produced in the United States or any eligible country, and only such manufactured articles, materials, and supplies as have been manufactured in the United States or any eligible country substantially all from articles, materials, and supplies mined, produced or manufactured, as the case may be, in the United States or any eligible country, except to the extent RUS shall determine that such use shall be impracticable or that the cost thereof shall be unreasonable. For purposes of this section, an "eligible country" is any country that applies with respect to the United States an agreement ensuring reciprocal access for United States products and services and United States suppliers to the markets of that country, as determined by the United States Trade Representative.

**Section 5.12. Power Requirements Studies.**

The Borrower shall prepare and use power requirements studies of its electric loads and future energy and capacity requirements in conformance with RUS Regulations.

**Section 5.13. Long Range Engineering Plans and Construction Work Plans.**

The Borrower shall develop, maintain and use up-to-date long-range engineering plans and construction work plans in conformance with RUS Regulations.

**Section 5.14. Design Standards, Construction Standards, and List of Materials.**

The Borrower shall use design standards, construction standards, and lists of acceptable materials in conformance with RUS Regulations.

**Section 5.15. Plans and Specifications.**

The Borrower shall submit plans and specifications for construction to RUS for review and approval, in conformance with RUS Regulations, if the construction will be financed in whole or in part by a loan made or guaranteed by RUS.

**Section 5.16. Standard Forms of Construction Contracts, and Engineering and Architectural Services Contracts.**

The Borrower shall use the standard forms of contracts promulgated by RUS for construction,

procurement, engineering services and architectural services in conformance with RUS Regulations, if the construction, procurement, or services are being financed in whole or in part by a loan being made or guaranteed by RUS.

**Section 5.17. Contract Bidding Requirements.**

The Borrower shall follow RUS contract bidding procedures in conformance with RUS Regulations when contracting for construction or procurement financed in whole or in part by a loan made or guaranteed by RUS.

**Section 5.18. Nondiscrimination.**

- (a) Equal Opportunity Provisions in Construction Contracts. The Borrower shall incorporate or cause to be incorporated into any construction contract, as defined in Executive Order 11246 of September 24, 1965 and implementing regulations, which is paid for in whole or in part with funds obtained from RUS or borrowed on the credit of the United States pursuant to a grant, contract, loan, insurance or guarantee, or undertaken pursuant to any RUS program involving such grant, contract, loan, insurance or guarantee, the equal opportunity provisions set forth in Exhibit B hereto entitled Equal Opportunity Contract Provisions.
- (b) Equal Opportunity Contract Provisions Also Bind the Borrower. The Borrower further agrees that it shall be bound by such equal opportunity clause in any federally assisted construction work which it performs itself other than through the permanent work force directly employed by an agency of government.
- (c) Sanctions and Penalties. The Borrower agrees that it shall cooperate actively with RUS and the Secretary of Labor in obtaining the compliance of contractors and subcontractors with the equal opportunity clause and the rules, regulations and relevant orders of the Secretary of Labor, that it shall furnish RUS and the Secretary of Labor such information as they may require for the supervision of such compliance, and that it shall otherwise assist the administering agency in the discharge of RUS's primary responsibility for securing compliance. The Borrower further agrees that it shall refrain from entering into any contract or contract modification subject to Executive Order 11246 with a contractor debarred from, or who has not demonstrated eligibility for, Government contracts and federally assisted construction contracts pursuant to Part II, Subpart D of Executive Order 11246 and shall carry out such sanctions and penalties for violation of the equal opportunity clause as may be imposed upon contractors and subcontractors by RUS or the Secretary of Labor pursuant to Part II, Subpart D of Executive Order 11246. In addition, the Borrower agrees that if it fails or refuses to comply with these undertakings RUS may cancel, terminate or suspend in whole or in part this contract, may refrain from extending any further assistance under any of its programs subject to Executive Order 11246 until satisfactory assurance of future compliance has been received from such Borrower, or may refer the case to the Department of Justice for appropriate legal proceedings.

**Section 5.19. Financial Reports.**

The Borrower shall cause to be prepared and furnished to RUS a full and complete annual report of its financial condition and of its operations in form and substance satisfactory to RUS, audited and certified by Independent certified public accountants satisfactory to RUS and accompanied by a report of such audit in form and substance satisfactory to RUS. The Borrower shall also furnish to RUS from time to time such other reports concerning the financial condition or operations of the Borrower, including its Subsidiaries, as RUS may reasonably request or RUS Regulations require.

## **Section 5.20. Miscellaneous Reports and Notices.**

The Borrower shall furnish to RUS:

- (a) Notice of Default. Promptly after becoming aware thereof, notice of: (i) the occurrence of any default; and (ii) the receipt of any notice given pursuant to the Mortgage with respect to the occurrence of any event which with the giving of notice or the passage of time, or both, could become an "Event of Default" under the Mortgage.
- (b) Notice of Non-Environmental Litigation. Promptly after the commencement thereof, notice of the commencement of all actions, suits or proceedings before any court, arbitrator, or governmental department, commission, board, bureau, agency, or instrumentality affecting the Borrower which, if adversely determined, could have a material adverse effect on the condition, financial or otherwise, operations, properties or business of the Borrower, or on the ability of the Borrower to perform its obligations under the Loan Documents.
- (c) Notice of Environmental Litigation. Without limiting the provisions of Section 5.20(b) above, promptly after receipt thereof, notice of the receipt of all pleadings, orders, complaints, indictments, or other communications alleging a condition that may require the Borrower to undertake or to contribute to a cleanup or other response under laws relating to environmental protection, or which seek penalties, damages, injunctive relief, or criminal sanctions related to alleged violations of such laws, or which claim personal injury or property damage to any person as a result of environmental factors or conditions for which the Borrower is not fully covered by insurance, or which, if adversely determined, could have a material adverse effect on the condition, financial or otherwise, operations, properties or business of the Borrower, or on the ability of the Borrower to perform its obligations under the Loan Documents.
- (d) Notice of Change of Place of Business. Promptly in writing, notice of any change in location of its principal place of business or the office where its records concerning accounts and contract rights are kept.
- (e) Regulatory and Other Notices. Promptly after receipt thereof, copies of any notices or other communications received from any governmental authority with respect to any matter or proceeding which could have a material adverse effect on the condition, financial or otherwise, operations, properties, or business of the Borrower, or on the ability of the Borrower to perform its obligations under the Loan Documents.
- (f) Material Adverse Change. Promptly, notice of any matter which has resulted or may result in a material adverse change in the condition, financial or otherwise, operations, properties, or business of the Borrower, or the ability of the Borrower to perform its obligations under the Loan Documents.
- (g) Assignment of Organizational Number. If the Borrower does not have an organizational identification number and later has one assigned to it, the Borrower will promptly notify RUS of such assigned organizational identification number.
- (h) Other Information. Such other information regarding the condition, financial or otherwise, or operations of the Borrower as RUS may, from time to time, reasonably request.

## **Section 5.21. Special Construction Account.**

The Borrower shall hold all moneys advanced to it by RUS hereunder in trust for RUS and shall deposit such moneys promptly after the receipt thereof in a bank or banks which meet the requirements of Section 6.7 of this Agreement. Any account (hereinafter called "Special Construction Account") in which any such moneys shall be deposited shall be insured by the Federal Deposit Insurance Corporation or other federal agency acceptable to RUS and shall be designated by the corporate name of the Borrower followed by the words "Trustee, Special Construction Account." Moneys in any Special Construction Account shall be used solely for the construction and operation of the Utility System and may be withdrawn only upon checks, drafts, or orders signed on behalf of the Borrower and countersigned by an executive officer thereof.

**Section 5.22. Additional Affirmative Covenants.**

The Borrower also agrees to comply with any additional affirmative covenant(s) identified in Schedule 1 hereto.

**ARTICLE VI**

**NEGATIVE COVENANTS**

**Section 6.1. General.**

Unless otherwise agreed to in writing by RUS, while this Agreement is in effect, whether or not any Advance is outstanding hereunder, the Borrower shall duly observe each of the negative covenants set forth in this Article.

**Section 6.2. Limitations on System Extensions and Additions.**

- (a) The Borrower shall not extend or add to its Electric System either by construction or acquisition without the prior written approval of RUS if the construction or acquisition is financed or will be financed, in whole or in part, by a RUS loan or loan guarantee.
- (b) The Borrower shall not extend or add to its Electric System with funds from other sources without prior written approval of RUS in the case of:
  - (1) Generating facilities if the combined capacity of the facilities to be built, procured, or leased, including any future facilities included in the planned project, will exceed the lesser of 5 Megawatts or 30 percent of the Borrower's Equity;
  - (2) Existing electric facilities or systems in service whose purchase price, or capitalized value in the case of a lease, exceeds ten percent of the Borrower's Net Utility Plant; and
  - (3) Any project to serve a customer whose annual kWh purchases or maximum annual kW demand is projected to exceed 25 percent of the Borrower's total kWh sales or maximum kW demand in the year immediately preceding the acquisition or start of construction of facilities.

**Section 6.3. Limitations on Changing Principal Place of Business.**

The Borrower shall not change its principal place of business or keep property in a county not shown on a schedule to the Mortgage if the change would cause the lien in favor of RUS to become unperfected or fail to become perfected, as the case may be, unless, prior thereto, the

Borrower shall have taken all steps required by law in order to assure that the lien in favor of RUS remains or becomes perfected, as the case may be, and, in either event, such lien has the priority accorded by the Mortgage.

**Section 6.4. Limitations on Employment and Retention of Manager.**

At any time any Event of Default, or any occurrence which with the passage of time or giving of notice would be an Event of Default, occurs and is continuing the Borrower shall not employ any general manager of the Utility System or the Electric System or any person exercising comparable authority to such a manager unless such employment shall first have been approved by RUS. If any Event of Default, or any occurrence which with the passage of time or giving of notice would be an Event of Default, occurs and is continuing and RUS requests the Borrower to terminate the employment of any such manager or person exercising comparable authority, or RUS requests the Borrower to terminate any contract for operating the Utility System or the Electric System, the Borrower shall do so within thirty (30) days after the date of such notice. All contracts in respect of the employment of any such manager or person exercising comparable authority, or for the operation of the Utility System or the Electric System, shall contain provisions to permit compliance with the foregoing covenants.

**Section 6.5. Limitations on Certain Types of Contracts.**

Without the prior approval of RUS in writing, the Borrower shall not enter into any of the following contracts:

- (a) Construction contracts. Any contract for construction or procurement or for architectural and engineering services in connection with its Electric System if the project is financed or will be financed, in whole or in part, by a RUS loan or loan guarantee;
- (b) Large retail power contracts. Any contract to sell electric power and energy for periods exceeding two (2) years if the kWh sales or kW demand for any year covered by such contract shall exceed 25 percent of the Borrower's total kWh sales or maximum kW demand for the year immediately preceding the execution of such contract;
- (c) Wholesale power contracts. Any contract to sell electric power or energy for resale and any contract to purchase electric power or energy that, in either case, has a term exceeding two (2) years;
- (d) Power supply arrangements. Any interconnection agreement, interchange agreement, wheeling agreement, pooling agreement or similar power supply arrangement that has a term exceeding two (2) years;
- (e) System management and maintenance contracts. Any contract for the management and operation of all or substantially all of its Electric System; or
- (f) Other contracts. Any contracts of the type described on Schedule 1.

**Section 6.6. Limitations on Mergers and Sale, Lease or Transfer of Capital Assets.**

- (a) The Borrower shall not consolidate with, or merge, or sell all or substantially all of its business or assets, to another entity or person except to the extent it is permitted to do so under the Mortgage. The exception contained in this paragraph (a) is subject to the additional limitation set forth in paragraph (b) of this section.

- (b) The Borrower shall not, without the written approval of RUS, voluntarily or involuntarily sell, convey or dispose of any portion of its business or assets (including, without limitation, any portion of its franchise or service territory) to another entity or person if such sale, conveyance or disposition could reasonably be expected to reduce the Borrower's existing or future requirements for energy or capacity being furnished to the Borrower under any wholesale power contract which has been pledged as security to RUS.

**Section 6.7. Limitations on Using non-FDIC Insured Depositories.**

Without the prior written approval of RUS, the Borrower shall not place the proceeds of the Loan or any loan which has been made or guaranteed by RUS in the custody of any bank or other depository that is not insured by the Federal Deposit Insurance Corporation or other federal agency acceptable to RUS.

**Section 6.8. Limitation on Distributions.**

Without the prior written approval of RUS, the Borrower shall not in any calendar year make any Distributions (exclusive of any Distributions to the estates of deceased natural patrons) to its members, stockholders or consumers except as follows:

- (a) Equity above 30%. If, after giving effect to any such Distribution, the Equity of the Borrower shall be greater than or equal to 30% of its Total Assets; or
- (b) Equity above 20%. If, after giving effect to any such Distribution, the Equity of the Borrower shall be greater than or equal to 20% of its Total Assets and the aggregate of all Distributions made during the calendar year when added to such Distribution shall be less than or equal to 25% of the prior year's margins.

Provided however, that in no event shall the Borrower make any Distributions if there is unpaid when due any installment of principal of (premium, if any) or interest on any of its payment obligations secured by the Mortgage, if the Borrower is otherwise in default hereunder or if, after giving effect to any such Distribution, the Borrower's current and accrued assets would be less than its current and accrued liabilities.

**Section 6.9. Limitations on Loans, Investments and Other Obligations.**

The Borrower shall not make any loan or advance to, or make any investment in, or purchase or make any commitment to purchase any stock, bonds, notes or other securities of, or guaranty, assume or otherwise become obligated or liable with respect to the obligations of, any other person, firm or corporation, except as permitted by the Act and RUS Regulations.

**Section 6.10. Depreciation Rates.**

The Borrower shall not file with or submit for approval of regulatory bodies any proposed depreciation rates which are inconsistent with RUS Regulations.

**Section 6.11. Historic Preservation.**

The Borrower shall not, without approval in writing by RUS, use any Advance to construct any facilities which shall involve any district, site, building, structure or object which is included in, or eligible for inclusion in, the National Register of Historic Places maintained by the Secretary of the Interior pursuant to the Historic Sites Act of 1935 and the National Historic Preservation Act of 1966.

**Section 6.12. Rate Reductions.**

Without the prior written approval of RUS, the Borrower shall not decrease its rates if it has failed to achieve all of the Coverage Ratios for the calendar year prior to such reduction.

**Section 6.13. Limitations on Additional Indebtedness.**

Except as expressly permitted by Article II of the Mortgage and subject to the further limitations expressed in the next section, the Borrower shall not incur, assume, guarantee or otherwise become liable in respect of any debt for borrowed money and Restricted Rentals (including Subordinated Indebtedness) other than the following: ("Permitted Debt")

- (a) Additional Notes issued in compliance with Article II of the Mortgage;
- (b) Purchase money indebtedness in non-Utility System property, in an amount not exceeding 10% of Net Utility Plant;
- (c) Restricted Rentals in an amount not to exceed 5% of Equity during any 12 consecutive calendar month period;
- (d) Unsecured lease obligations incurred in the ordinary course of business except Restricted Rentals;
- (e) Unsecured indebtedness for borrowed money, except when the aggregate amount of such indebtedness exceeds 15% of Net Utility Plant and after giving effect to such unsecured indebtedness the Borrower's Equity is less than 30% of its Total Assets;
- (f) Debt represented by dividends declared but not paid; and
- (g) Subordinated Indebtedness approved by RUS.

PROVIDED, However, that the Borrower may incur Permitted Debt without the consent of RUS only so long as there exists no Event of Default hereunder and there has been no continuing occurrence which with the passage of time and giving of notice could become an Event of Default hereunder.

PROVIDED, FURTHER, by executing this Agreement any consent of RUS that the Borrower would otherwise be required to obtain under this section is hereby deemed to be given or waived by RUS by operation of law to the extent, but only to the extent, that to impose such a requirement of RUS consent would clearly violate federal laws or RUS Regulations.

**Section 6.14. Limitations on Issuing Additional Indebtedness Secured Under the Mortgage.**

- (a) The Borrower shall not issue any Additional Notes under the Mortgage to finance Eligible Property Additions without the prior written consent of RUS unless the following additional requirements are met in addition to the requirements set forth in the Mortgage for issuing Additional Notes:
  - (1) The weighted average life of the loan evidenced by such Notes does not exceed the weighted average of the expected remaining useful lives of the assets being financed;
  - (2) The principal of the loan evidenced by such Notes is amortized at a rate that shall

yield a weighted average life that is not greater than the weighted average life that would result from level payments of principal and interest; and

- (3) The principal of the loan being evidenced by such Notes has a maturity of not less than 5 years.
- (b) The Borrower shall not issue any Additional Notes under the Mortgage to refund or refinance Notes without the prior written consent of RUS unless, in addition to the requirements set forth in the Mortgage for issuing Refunding or Refinancing Notes, the weighted average life of any such Refunding or Refinancing Notes is not greater than the weighted average remaining life of the Notes being refinanced.
- (c) Any request for consent from RUS under this section, shall be accompanied by a certificate of the Borrower's manager substantially in the form attached to this Agreement as Exhibit C-1 in the case of Notes being issued under Section 2.01 of the Mortgage and C-2 in the case of Notes being issued under Section 2.02 of the Mortgage.

**Section 6.15. Impairment of Contracts Pledged to RUS.**

The Borrower shall not materially breach any obligation to be paid or performed by the Borrower on any contract, or take any action which is likely to materially impair the value of any contract, which has been pledged as security to RUS by the Borrower or any other entity.

**Section 6.16. Notice of Organizational Changes.**

The Borrower covenants and agrees with RUS that the Borrower will not, directly or indirectly, without giving written notice to RUS thirty (30) days prior to the effective date:

- (a) Change the name of the Borrower
- (b) Change the mailing address of the Borrower, and
- (c) Change its organizational identification number if it has one.

**Section 6.17. Consent for Organizational Changes.**

The Borrower covenants and agrees with RUS that the Borrower will not, directly or indirectly, without the prior written consent of RUS change its type of organization, jurisdiction of organization or other legal structure.

**Section 6.18. Additional Negative Covenants.**

The Borrower also agrees to comply with any additional negative covenant(s) identified in Schedule 1 hereto.

## ARTICLE VII

### EVENTS OF DEFAULT

#### Section 7.1. Events of Default.

The following shall be Events of Default under this Agreement:

- (a) Representations and Warranties. Any representation or warranty made by the Borrower in Article II hereof or any certificate furnished to RUS hereunder or under the Mortgage shall prove to have been incorrect in any material respect at the time made and shall at the time in question be untrue or incorrect in any material respect and remain uncured;
- (b) Payment. Default shall be made in the payment of or on account of interest on or principal of the Note or any other Government Note when and as the same shall be due and payable, whether by acceleration or otherwise, which shall remain unsatisfied for five (5) Business Days;
- (c) Borrowing Under the Mortgage in Violation of the Loan Contract. Default by the Borrower in the observance or performance of any covenant or agreement contained in Section 6.14 of this Agreement;
- (d) Other Covenants. Default by the Borrower in the observance or performance of any other covenant or agreement contained in any of the Loan Documents, which shall remain unremedied for 30 calendar days after written notice thereof shall have been given to the Borrower by RUS;
- (e) Corporate Existence. The Borrower shall forfeit or otherwise be deprived of its corporate charter, franchises, permits, easements, consents or licenses required to carry on any material portion of its business;
- (f) Other Obligations. Default by the Borrower in the payment of any obligation, whether direct or contingent, for borrowed money or in the performance or observance of the terms of any instrument pursuant to which such obligation was created or securing such obligation;
- (g) Bankruptcy. A court having jurisdiction in the premises shall enter a decree or order for relief in respect of the Borrower in an involuntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or appointing a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official, or ordering the winding up or liquidation of its affairs, and such decree or order shall remain unstayed and in effect for a period of ninety (90) consecutive days or the Borrower shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or under any such law, or consent to the appointment or taking possession by a receiver, liquidator, assignee, custodian or trustee, of a substantial part of its property, or make any general assignment for the benefit of creditors; and
- (h) Dissolution or Liquidation. Other than as provided in the immediately preceding subsection, 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 shall impair its ability to continue its business or fulfill its obligations and such execution, garnishment or attachment shall not be vacated within 30 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 permitting such actions.

## **ARTICLE VIII**

### **REMEDIES**

#### **Section 8.1. Generally.**

Upon the occurrence of an Event of Default, then RUS may pursue all rights and remedies available to RUS that are contemplated by this Agreement or the Mortgage in the manner, upon the conditions, and with the effect provided in this Agreement or the Mortgage, including, but not limited to, a suit for specific performance, injunctive relief or damages. Nothing herein shall limit the right of RUS to pursue all rights and remedies available to a creditor following the occurrence of an Event of Default listed in Article VII hereof. Each right, power and remedy of RUS 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.

#### **Section 8.2. Suspension of Advances.**

In addition to the rights, powers and remedies referred to in the immediately preceding section, RUS may, in its absolute discretion, suspend making or, in the case of any Loan guaranteed by RUS, approving Advances hereunder if (i) any Event of Default, or any occurrence which with the passage of time or giving of notice would be an Event of Default, occurs and is continuing; (ii) there has occurred a change in the business or condition, financial or otherwise, of the Borrower which in the opinion of RUS materially and adversely affects the Borrower's ability to meet its obligations under the Loan Documents, or (iii) RUS is authorized to do so under RUS Regulations.

## **ARTICLE IX**

### **MISCELLANEOUS**

#### **Section 9.1. 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. Except as otherwise provided in this Agreement, all such communications shall be deemed to have been duly given when transmitted by telecopier or personally delivered or, in the case of a mailed notice, upon receipt, in each case given or addressed as provided for herein. The Address for Notices of the respective parties are set forth in Schedule I hereto.

#### **Section 9.2. Expenses.**

To the extent allowed by law, the Borrower shall pay all costs and expenses of RUS, including reasonable fees of counsel, incurred in connection with the enforcement of the Loan Documents or with the preparation for such enforcement if RUS has reasonable grounds to believe that such

enforcement may be necessary.

**Section 9.3. Late Payments.**

If payment of any amount due hereunder is not received at the United States Treasury in Washington, DC, or such other location as RUS may designate to the Borrower within five (5) Business Days after the due date thereof or such other time period as RUS may prescribe from time to time in its policies of general application in connection with any late payment charge (such unpaid amount being herein called the "delinquent amount", and the period beginning after such due date until payment of the delinquent amount being herein called the "late-payment period"), the Borrower shall pay to RUS, in addition to all other amounts due under the terms of the Note, the Mortgage and this Agreement, any late-payment charge as may be fixed by RUS Regulations from time to time on the delinquent amount for the late-payment period.

**Section 9.4. Filing Fees.**

To the extent permitted by law, the Borrower agrees to pay all expenses of RUS (including the fees and expenses of its counsel) in connection with the filing or recordation of all financing statements and instruments as may be required by RUS in connection with this Agreement, including, without limitation, all documentary stamps, recordation and transfer taxes and other costs and taxes incident to recordation of any document or instrument in connection herewith. Borrower agrees to save harmless and indemnify RUS 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 RUS 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 hereunder or due on the Note.

**Section 9.5. No Waiver.**

No failure on the part of RUS to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof nor shall any single or partial exercise by RUS of any right hereunder preclude any other or further exercise thereof or the exercise of any other right.

**Section 9.6. Governing Law.**

EXCEPT TO THE EXTENT GOVERNED BY APPLICABLE FEDERAL LAW, THE LOAN DOCUMENTS SHALL BE DEEMED TO BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE IN WHICH THE BORROWER IS INCORPORATED.

**Section 9.7. Holiday 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 9.8. Rescission.**

The Borrower may elect not to borrow the RUS Commitment in which event RUS shall release the Borrower from its obligations hereunder, provided the Borrower complies with such terms and conditions as RUS may impose for such release and provided also that if the Borrower has any remaining obligations to RUS for loans made or guaranteed by RUS under any Prior Loan

Contracts, RUS may, under Section 9.15 of this Loan Contract, withhold such release until all such obligations have been satisfied and discharged.

**Section 9.9. Successors and Assigns.**

This Agreement shall be binding upon and inure to the benefit of the Borrower and RUS and their respective successors and assigns, except that the Borrower may not assign or transfer its rights or obligations hereunder without the prior written consent of RUS.

**Section 9.10. Complete Agreement; Waivers and Amendments.**

Subject to RUS Regulations, this Agreement and the other Loan Documents are intended by the parties to be a complete and final expression of their agreement. However, RUS reserves the right to waive its rights to compliance with any provision of this Agreement and the other Loan Documents. No amendment, modification, or waiver of any provision hereof or thereof, and no consent to any departure of the Borrower herefrom or therefrom, shall be effective unless approved in writing by RUS in the form of either a RUS Regulation or other writing signed by or on behalf of RUS, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

**Section 9.11. Headings.**

The headings and sub-headings contained in the titling of this Agreement are intended to be used for convenience only and do not constitute part of this Agreement.

**Section 9.12. Severability.**

If any term, provision or condition, or any part thereof, of this Agreement or the Mortgage 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 Mortgage shall survive and be construed as if such invalid or unenforceable term, provision or condition had not been contained therein.

**Section 9.13. Right of Setoff.**

Upon the occurrence and during the continuance of any Event of Default, RUS is hereby authorized at any time and from time to time, without prior notice to the Borrower, to exercise rights of setoff or recoupment and apply any and all amounts held or hereafter held, by RUS 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. RUS agrees to notify the Borrower promptly after any such setoff or recoupment and the application thereof, provided that the failure to give such notice shall not affect the validity of such setoff, recoupment or application. The rights of RUS under this section are in addition to any other rights and remedies (including other rights of setoff or recoupment) which RUS may have. Borrower waives all rights of setoff, deduction, recoupment or counterclaim.

**Section 9.14. Schedules and Exhibits.**

Each Schedule and Exhibit attached hereto and referred to herein is each an integral part of this Agreement.

**Section 9.15. Prior Loan Contracts.**

With respect to all Prior Loan Contracts, the Borrower shall, commencing on the delivery date hereof, prospectively meet the affirmative and negative covenants as set forth in this Agreement rather than those set forth in the Prior Loan Contracts. In addition, any remaining obligation of RUS to make or approve additional Advances on promissory notes of the Borrower that have been previously delivered to RUS under Prior Loan Contracts shall, after the date hereof, be subject to the conditions set forth in this Agreement. In the event of any conflict between any provision set forth in a Prior Loan Contract and any provision in this Agreement, the requirements as set forth in this Agreement shall apply. Nothing in this section shall, however, eliminate or modify (i) any special condition, special affirmative covenant or special negative covenant, if any, set forth in any Prior Loan Contract or (ii) alter the repayment terms of any promissory notes which the Borrower has delivered under any Prior Loan Contract, except, in either case, as RUS may have specifically agreed to in writing.

**Section 9.16. Authority of Representatives of RUS.**

In the case of any consent, approval or waiver from RUS that is required under this Agreement or any other Loan Document, such consent, approval or waiver must be in writing and signed by an authorized RUS representative to be effective. As used in this section, "authorized RUS representative" means the Administrator of RUS, and also means a person to whom the Administrator has officially delegated specific or general authority to take the action in question.

**Section 9.17. Term.**

This Agreement shall remain in effect until one of the following two events has occurred:

- (a) The Borrower and RUS replace this Agreement with another written agreement; or
- (b) All of the Borrower's obligations under the Prior Loan Contracts and this Agreement have been discharged and paid.

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

EMPIRE ELECTRIC ASSOCIATION, INC.

by

, President

(Seal)

Attest:

Secretary

UNITED STATES OF AMERICA

by

Administrator  
of the  
Rural Utilities Service

## RUS LOAN CONTRACT SCHEDULE 1

1. The purpose of this loan is to finance construction of distribution facilities, transmission and headquarters and such other purposes that RUS may agree to in writing in order to carry out the purposes of the Act.
2. The Mortgage shall mean the Restated Mortgage and Security Agreement, dated as of August 1, 2007, among the Borrower, RUS and National Rural Utilities Cooperative Finance Corporation, as it may have been or shall be supplemented, amended, consolidated, or restated from time to time.
3. The governmental authority referred to in Section 2.1(c) is **Not Applicable**.
4. The date of the Borrower's financial information referred to in Section 2.1(h) is January 31, 2010.
5. The principal place of business and mailing address of the Borrower referred to in Section 2.1(i) is 801 N. Broadway, Cortez, Colorado 81321-2015.
6. All of the property of the Borrower is located in the Counties of Dolores, Montezuma and San Miguel in the State of Colorado, and the County of San Juan in the State of Utah.
7. The subsidiaries referred to in Section 2.1(k) are FastTrack Communications, Inc. and Path Net Fiber Network.
8. The Contemporaneous Loan referred to in Section 5.3 is described as follows:  
  
**None.**
9. The RUS Commitment referred to in the definitions means a loan in the principal amount of \$42,174,000.00, which is being made to Empire Electric Association, Inc. by the Federal Financing Bank (FFB) and guaranteed as to payment by RUS, pursuant to the Rural Electrification Act and RUS Regulations.
10. Amortization of Advance shall be based upon the method for the repayment of principal for an Advance selected for such Advance, in accordance with that certain note, dated as of even date herewith, evidencing the RUS-guaranteed FFB loan.
11. The SPECIAL condition referred to in Section 4.2 is as follows:  
  
The Borrower has duly authorized, executed, and has delivered to the Administrator of RUS, the note (the "FFB Note"), dated November 1, 2010, evidencing the loan made by FFB to the Borrower, within ninety (90) days of the date of the certain designation notice committing FFB to purchase the FFB Note (the "Designation Notice"), in the manner prescribed in the Designation Notice and has satisfied all the conditions set forth in the Designation Notice.
12. The additional AFFIRMATIVE covenants referred to in Section 5.22 are as follows:  
  
**None.**
13. The additional NEGATIVE covenants referred to in Section 6.16 are as follows:  
  
**None.**

14. The addresses of the parties referred to in Section 9.1. are as follows:

RUS

Rural Utilities Service  
U.S. Department of Agriculture  
Washington, DC 20250-1500  
Attention: Administrator  
Fax: (202) 205-2920

BORROWER

Empire Electric Association, Inc.  
801 N. Broadway  
Cortez, Colorado 81321-2015  
Fax: (970) 564-4401

15. The additional types of contract referred to in Section 6.5(f) are described as follows:

**None.**

16. The organizational identification number of the Borrower referred to in Section 2.1(m) is 19871104688.

## **EXHIBIT A**

### **FORMS OF PROMISSORY AND REIMBURSEMENT NOTES**

This Exhibit A of this Loan Contract consists of the following sample documents:

- 1 FFB Promissory Note
- 2 FFB Reimbursement Note

**FOR FFB USE ONLY:**

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

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

Last Day  
for anAdvance (¶3) November 1, 2015Maximum  
PrincipalAmount (¶4) \$42,174,000Final  
MaturityDate (¶5) December 31, 2044First Principal  
PaymentDate (¶8) December 31, 2012**FOR RUS USE ONLY:**

RUS

Note

Number: \_\_\_\_\_

Security  
Instrument  
(¶24)

Restated Mortgage and  
Security Agreement,  
dated as of August 1,  
2007, made by and among  
Empire Electric  
Association, Inc.,  
United States of  
America and National  
Rural Utilities  
Cooperative Finance  
Corporation (Colorado  
33-AC8 Dolores)

Note

Date November 1, 2010

Place

of

Issue

Cortez,  
Colorado

**FUTURE ADVANCE PROMISSORY NOTE****1. Promise to Pay.****FOR VALUE RECEIVED,****EMPIRE ELECTRIC ASSOCIATION, 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.

EMPIRE ELECTRIC ASSOCIATION, INC.

(name of Borrower)

BY:

Signature: SAMPLE - NOT FOR EXECUTION

Print Name: \_\_\_\_\_

Title: President

ATTEST:

(SEAL)

Signature: \_\_\_\_\_

Print Name: \_\_\_\_\_

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 **November 1, 2010**, made by **EMPIRE ELECTRIC ASSOCIATION, 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

7

☐

"F" for the "fixed premium" privilege

○ No-Call Period Option Election:

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

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

8

☐

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

○ Premium Option Selection:

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

"X" for 10% premium declining over  
10 years

9

☐

"V" for 5% premium declining over  
5 years

"P" for par (no premium)

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

\_\_\_\_\_  
(Name of Borrower)

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

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

**NOTICE OF RUS APPROVAL OF  
ADVANCE REQUEST**

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

**FOR ACCOUNTING  
USE ONLY:**

RUS Budget  
Account  
Number  
\_\_\_\_\_

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

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

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

## INSTRUCTIONS

<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.

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)

\*\*\*\*\*

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>
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____

ANNEX C-2  
TO  
NEW LOAN NOTE

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

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

\*\*\*\*\*

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

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

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

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

USDA - Rural Utilities Service

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

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

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

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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:

FFB ADVANCE <u>IDENTIFIER</u> <sup>3</sup>	RUS ACCOUNT <u>NUMBER</u> <sup>4</sup>	ORIGINAL ADVANCE <u>DATE</u> <sup>5</sup>	ORIGINAL ADVANCE <u>AMOUNT</u> <sup>6</sup>	OUTSTANDING PRINCIPAL <u>AMOUNT</u> <sup>7</sup>
_____	_____	_____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____

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

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*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

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## 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:

FFB ADVANCE <u>IDENTIFIER</u> <sup>3</sup>	RUS ACCOUNT <u>NUMBER</u> <sup>4</sup>	ORIGINAL ADVANCE <u>DATE</u> <sup>5</sup>	ORIGINAL ADVANCE <u>AMOUNT</u> <sup>6</sup>	OUTSTANDING PRINCIPAL <u>AMOUNT</u> <sup>7</sup>
_____	_____	_____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____

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: \_\_\_\_\_

### 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"/>

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>Elect 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>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>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

Colorado 33-AC8 Dolores

FFB Note Identifier:

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RUS Note Identifier:

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Cortez, Colorado  
November 1, 2010

## REIMBURSEMENT NOTE

EMPIRE ELECTRIC ASSOCIATION, INC. (the "Borrower"), which term includes any successors or assigns, a corporation organized and existing under the laws of the State of Colorado, for value received, promises to pay on demand to 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 November 1, 2010, 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 Restated Mortgage and Security Agreement, dated as of August 1, 2007, 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.

EMPIRE ELECTRIC ASSOCIATION, INC.

By: SAMPLE - NOT FOR EXECUTION

Name: \_\_\_\_\_

Title: \_\_\_\_\_

(Seal)

Attest:

Secretary

## EXHIBIT B

### EQUAL OPPORTUNITY CONTRACT PROVISIONS

During the performance of this contract, the contractor agrees as follows:

- (a) The contractor shall not discriminate against any employee or applicant for employment because of race, color, religion, sex or national origin. The contractor shall take affirmative action to ensure that applicants are employed, and that employees are treated during employment without regard to their race, color, religion, sex or national origin. Such action shall include, but not be limited to the following: employment, upgrading, demotion or transfer, recruitment or recruitment advertising; layoff or termination; rates of pay or other forms of compensation; and selection for training, including apprenticeship. The contractor agrees to post in conspicuous places, available to employees and applicants for employment, notices to be provided setting forth the provisions of this nondiscrimination clause.
- (b) The contractor shall, in all solicitations or advertisements for employees placed by or on behalf of the contractor, state that all qualified applicants shall receive consideration for employment without regard to race, color, religion, sex or national origin.
- (c) The contractor shall send to each labor union or representative of workers with which he has a collective bargaining agreement or other contract or understanding, a notice to be provided advising the said labor union or workers' representative of the contractor's commitments under this section, and shall post copies of the notice in conspicuous places available to employees and applicants for employment.
- (d) The contractor shall comply with all provisions of Executive Order 11246 of September 24, 1965, and of the rules, regulations and relevant orders of the Secretary of Labor.
- (e) The contractor shall furnish all information and reports required by Executive Order 11246 of September 24, 1965, and by the rules, regulations and orders of the Secretary of Labor, or pursuant thereto, and shall permit access to his books, records and accounts by the administering agency and the Secretary of Labor for purposes of investigation to ascertain compliance with such rules, regulations and orders.
- (f) In the event of the contractor's noncompliance with the non-discrimination clauses of this contract or with any of the said rules, regulations or orders, this contract may be canceled, terminated or suspended in whole or in part and the contractor may be declared ineligible for further Government contracts or federally assisted construction contracts in accordance with procedures authorized in Executive Order 11246 of September 24, 1965, and such other sanctions may be imposed and remedies invoked as provided in said Executive Order or by rule, regulation or order of the Secretary of Labor, or as otherwise provided by law.
- (g) The contractor shall include the provisions of paragraphs (a) through (g) in every subcontract or purchase order unless exempted by rules, regulations or orders of the Secretary of Labor issued pursuant to section 204 of Executive Order 11246, dated September 24, 1965, so that such provisions shall be binding upon each subcontractor or vendor. The contractor shall take such action with respect to any subcontract or purchase order as the administering agency may direct as a means of enforcing such provisions, including sanctions for noncompliance: Provided, however, that in the event a contractor becomes involved in, or is threatened with, litigation with a subcontractor or vendor as a result of such direction by the agency, the contractor may request the United States to enter into such litigation to protect the interests of the United States.

**EXHIBIT C-1**

**MANAGER'S CERTIFICATE REQUIRED UNDER LOAN  
CONTRACT SECTION 6.14 FOR ADDITIONAL NOTES**

On behalf of \_\_\_\_\_  
Name of Borrower

I hereby certify that the Additional Note or Notes to be issued under Section 2.01 of the Mortgage on or about \_\_\_\_\_ meet all of the requirements of

\_\_\_\_\_ Date Note or Notes are to be Signed  
Section 6.14 of the Loan Contract, namely:

- (a) The weighted average life of the loan evidenced by such Notes ( \_\_\_\_\_ years) does not exceed the weighted average of the expected remaining useful lives of the assets being financed ( \_\_\_\_\_ years) as evidenced by the attached calculation of said weighted average lives.
- (b) The principal of the loan evidenced by such Notes shall either be [check one and provide evidence in the second case:
  - (1) repaid based on level payments of principal and interest throughout the life of the loan, or
  - (2) amortized at a rate that shall yield a weighted average life that is not greater than the weighted average life that would result from level payments of principal and interest throughout the life of the loan as evidenced by the attached analysis of said weighted average lives.
- (c) The principal of the loan evidenced by such Notes has a maturity of not less than 5 years.

**SAMPLE - NOT FOR EXECUTION**

\_\_\_\_\_  
Signed

\_\_\_\_\_  
Date

\_\_\_\_\_  
Name

\_\_\_\_\_  
Title

Name and Address of Borrower:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**EXHIBIT C-2**

**MANAGER'S CERTIFICATE REQUIRED UNDER LOAN CONTRACT  
SECTION 6.14 FOR REFINANCING NOTES**

On behalf of \_\_\_\_\_

\_\_\_\_\_  
Name of Borrower

I hereby certify that the Additional Note or Notes to be issued under Section 2.02 of the Mortgage on or about \_\_\_\_\_ meet the requirement of Section 6.14

\_\_\_\_\_ Date Note or Notes are to be Signed  
of the Loan Contract that the weighted average life of such Notes is not greater than the weighted average remaining life of the Notes being refinanced, as evidenced by the attached calculation of said weighted average lives.

**SAMPLE - NOT FOR EXECUTION**

\_\_\_\_\_  
Signed

\_\_\_\_\_  
Date

\_\_\_\_\_  
Name

\_\_\_\_\_  
Title

Name and Address of Borrower:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

# Exhibit 2

**FOR FFB USE ONLY:**

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

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

Last Day  
for an  
Advance (¶3) November 1, 2015Maximum  
Principal  
Amount (¶4) \$42,174,000Final  
Maturity  
Date (¶5) December 31, 2044First Principal  
Payment  
Date (¶8) December 31, 2012**FOR RUS USE ONLY:**RUS  
Note  
Number: \_\_\_\_\_Security  
Instrument  
(¶24) Restated Mortgage and  
Security Agreement,  
dated as of August 1,  
2007, made by and among  
Empire Electric  
Association, Inc.,  
United States of  
America and National  
Rural Utilities  
Cooperative Finance  
Corporation (Colorado  
33-AC8 Dolores)Note  
Date November 1, 2010Place  
of  
Issue Cortez,  
Colorado**FUTURE ADVANCE PROMISSORY NOTE****1. Promise to Pay.****FOR VALUE RECEIVED,****EMPIRE ELECTRIC ASSOCIATION, 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.

(I) 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.

EMPIRE ELECTRIC ASSOCIATION, INC.

(name of Borrower)

BY:

Signature: \_\_\_\_\_

Print Name: \_\_\_\_\_

Title: President

ATTEST:

(SEAL)

Signature: \_\_\_\_\_

Print Name: \_\_\_\_\_

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 **November 1, 2010**, made by **EMPIRE ELECTRIC ASSOCIATION, INC.** (the "Borrower") payable to FFB, to which this Guarantee is attached (such note being the "Note"), with interest on the principal until paid, irrespective of (i) acceleration of such payments under the terms of the Note, or (ii) receipt by RUS of any sums or property from its enforcement of its remedies for the Borrower's default.

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

UNITED STATES OF AMERICA

By: \_\_\_\_\_

Name: \_\_\_\_\_

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

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

RUS GUARANTEE (New Loan Note or Substitution Note)

ANNEX A  
TO  
NEW LOAN NOTE  
  
FORM  
OF  
ADVANCE REQUEST  
(RUS APPROVAL REQUIRED)

## ADVANCE REQUEST (RUS APPROVAL REQUIRED)

\*\*\*\*\*

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

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

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

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

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

USDA - Rural Utilities Service

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

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

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

\*\*\*\*\*

## ADVANCE REQUEST

Manager  
Federal Financing Bank

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

Name of Borrower (the "Borrower"):

1

FFB Note Identifier:

2

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

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

1. Requested Advance Amount: \$ \_\_\_\_\_ 3

2. Requested Advance Date: \_\_\_\_\_ 4

## 3. Wire Instructions:

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

Name of financial institution \_\_\_\_\_

Address of financial institution \_\_\_\_\_

ABA number of financial institution \_\_\_\_\_

## B. PAYEE'S BANK AND ACCOUNT:

Name of financial institution \_\_\_\_\_

Address of financial institution \_\_\_\_\_

ABA number of financial institution \_\_\_\_\_

Account name \_\_\_\_\_

Account number \_\_\_\_\_

Taxpayer ID number \_\_\_\_\_

## 4. Maturity Date: \_\_\_\_\_

5

## 5. Principal Repayment Method:

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

"P" for the "equal principal installments" method

"G" for "graduated principal installments" method

"L" for the "level debt service" method

6



## 6. Prepayment/Refinancing Privilege:

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

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

7

☐

"F" for the "fixed premium" privilege

○ No-Call Period Option Election:

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

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

8

☐

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

○ Premium Option Selection:

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

"X" for 10% premium declining over  
10 years

9

☐

"V" for 5% premium declining over  
5 years

"P" for par (no premium)

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

\_\_\_\_\_  
(Name of Borrower)

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

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

**NOTICE OF RUS APPROVAL OF  
ADVANCE REQUEST**

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

**FOR ACCOUNTING  
USE ONLY:**

RUS Budget  
Account  
Number  
\_\_\_\_\_

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

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

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

## INSTRUCTIONS

<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.

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</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: \_\_\_\_\_

### 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)

\*\*\*\*\*

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

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## 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: \_\_\_\_\_

**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>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 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>1</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<sup>9</sup></u>	<u>PRINCIPAL INSTALLMENT DUE (if any)<sup>10</sup></u>	<u>AMOUNT OF PRINCIPAL TO BE PREPAID<sup>11</sup></u>	<u>TOTAL AMOUNT OF PRINCIPAL TO BE PAID<sup>12</sup></u>
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____

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

\_\_\_\_\_  
(Name of Borrower)

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

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

NOTICE OF RUS APPROVAL OF  
PREPAYMENT ELECTION NOTICE

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

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

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

INSTRUCTIONS

<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>
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____
_____	\$ _____	\$ _____	\$ _____

ANNEX C-2  
TO  
NEW LOAN NOTE

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

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

\*\*\*\*\*

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

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

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

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

USDA - Rural Utilities Service

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

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

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

\*\*\*\*\*

PREPAYMENT ELECTION NOTICE  
FIXED SUM TO BE APPLIED

Manager  
Federal Financing Bank

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

Name of Borrower (the "Borrower"):

\_\_\_\_\_ 1

FFB Note Identifier:

\_\_\_\_\_ 2

Part 1:

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

FFB ADVANCE IDENTIFIER <sup>3</sup>	RUS ACCOUNT NUMBER <sup>4</sup>	ORIGINAL ADVANCE DATE <sup>5</sup>	ORIGINAL ADVANCE AMOUNT <sup>6</sup>	OUTSTANDING PRINCIPAL AMOUNT <sup>7</sup>
_____	_____	_____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____

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:

FFB ADVANCE IDENTIFIER <sup>3</sup>	RUS ACCOUNT NUMBER <sup>4</sup>	ORIGINAL ADVANCE DATE <sup>5</sup>	ORIGINAL ADVANCE AMOUNT <sup>6</sup>	OUTSTANDING PRINCIPAL AMOUNT <sup>7</sup>
_____	_____	_____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____
_____	_____	_____	\$ _____	\$ _____

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: \_\_\_\_\_

### 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>Elect 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>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>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"/>

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"/>

# Exhibit 3

(FFB-REIM.NTE)  
5/97

Colorado 33-AC8 Dolores

FFB Note Identifier:

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RUS Note Identifier:

---

Cortez, Colorado  
November 1, 2010

### REIMBURSEMENT NOTE

EMPIRE ELECTRIC ASSOCIATION, INC. (the "Borrower"), which term includes any successors or assigns, a corporation organized and existing under the laws of the State of Colorado, for value received, promises to pay on demand to 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 November 1, 2010, 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 Restated Mortgage and Security Agreement, dated as of August 1, 2007, 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.

EMPIRE ELECTRIC ASSOCIATION, INC.

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

(Seal)

Attest:

Secretary

# Exhibit 4

RUS PROJECT DESIGNATION:

COLORADO 33-AC8 DOLORES

SUPPLEMENTAL MORTGAGE

made by and among

EMPIRE ELECTRIC ASSOCIATION, INC.  
801 N. Broadway  
Cortez, Colorado 81321-2015,

Mortgagor, and

UNITED STATES OF AMERICA  
Rural Utilities Service  
Washington, D.C. 20250-1500,

Mortgagee, and

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION  
2201 Cooperative Way  
Herndon, Virginia 20171-3025,

Mortgagee

Dated as of November 1, 2010

THIS INSTRUMENT GRANTS A SECURITY INTEREST IN A TRANSMITTING UTILITY.  
THE DEBTOR AS MORTGAGOR IS A TRANSMITTING UTILITY.  
THIS INSTRUMENT CONTAINS PROVISIONS THAT COVER REAL AND PERSONAL PROPERTY, FIXTURES, AFTER-ACQUIRED  
PROPERTY, PROCEEDS, FUTURE ADVANCES AND FUTURE OBLIGATIONS.  
TAXPAYER'S IDENTIFICATION NO. 84-0197395.  
MORTGAGOR'S ORGANIZATIONAL IDENTIFICATION NUMBER IS 19871104688.

No. 4

Generated: October 19, 2010

restmort.v1h 12/3/98 v5.74 w/ UCC-1 revisions

SUPPLEMENTAL MORTGAGE, dated as of November 1, 2010 (hereinafter sometimes called this "Supplemental Mortgage"), is made by and among EMPIRE ELECTRIC ASSOCIATION, INC. (hereinafter called the "Mortgagor"), a corporation existing under the laws of the State of Colorado, and the UNITED STATES OF AMERICA acting by and through the Administrator of the Rural Utilities Service (hereinafter called the "Government") and NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION (hereinafter called "CFC"), a corporation existing under the laws of the District of Columbia, and is intended to confer rights and benefits on both the Government and CFC, in accordance with this Supplemental Mortgage and the Original Mortgage (hereinafter defined) (the Government and CFC being hereinafter sometimes collectively referred to as the "Mortgagees").

#### RECITALS

WHEREAS, the Mortgagor, the Government and CFC are parties to that certain Restated Mortgage and Security Agreement (the "Original Mortgage" as identified in Schedule "A" of this Supplemental Mortgage) originally entered into among the Mortgagor, the Government acting by and through the Administrator of the Rural Utilities Service (hereinafter called "RUS"), and CFC; and

WHEREAS, the Original Mortgage as the same may have been previously supplemented, amended or restated is hereinafter referred to as the "Existing Mortgage"; and

WHEREAS, the Mortgagor deems it necessary to borrow money for its corporate purposes and to issue its promissory notes and other debt obligations therefor, and to mortgage and pledge its property hereinafter described or mentioned to secure the payment of the same, and to enter into this Supplemental Mortgage pursuant to which all secured debt of the Mortgagor hereunder shall be secured on parity, hereunder and under the Existing Mortgage (this Supplemental Mortgage and the Existing Mortgage, hereinafter sometimes collectively referred to as the "Mortgage"); and

WHEREAS, all of the Mortgagor's Outstanding Notes listed in Schedule "A" hereto are secured *pari passu* by the Existing Mortgage for the benefit of all of the Mortgagees under the Existing Mortgage; and

WHEREAS, the Existing Mortgage provides the terms by which additional *pari passu* obligations may be issued thereunder and further provides that the Existing Mortgage may be supplemented from time to time to evidence that such obligations are entitled to the security of the Existing Mortgage and to add additional Mortgagees; and

WHEREAS, by their execution and delivery of this Supplemental Mortgage the parties hereto do hereby secure the Additional Notes listed in Schedule "A" *pari passu* with the Outstanding Notes under the Existing Mortgage; and

WHEREAS, all acts necessary to make this Supplemental Mortgage a valid and binding legal instrument for the security of such notes and obligations under the terms of the Mortgage, have been in all respects duly authorized;

Now, Therefore, This Supplemental Mortgage Witnesseth: That to secure the payment of the principal of (and premium, if any) and interest on all Notes and all Notes issued hereunder according to their tenor and effect, and the performance of all provisions therein and herein contained, and in consideration of the covenants herein contained and the purchase or guarantee of Notes by the guarantors or holders thereof, the Mortgagor has mortgaged, pledged and granted a continuing security interest in, and by these presents does hereby grant, bargain, sell, alienate, remise, release, convey, assign, transfer, hypothecate, pledge, set over and confirm, pledge, and grant a continuing security interest in for the purposes hereinafter expressed, unto the Mortgagees all property, rights, privileges and franchises of the Mortgagor of every kind and description, real, personal or mixed, tangible and intangible, of the kind or nature specifically mentioned herein or any other kind or nature, except any Excepted Property, set forth in

the Existing Mortgage, hereof owned or hereafter acquired by the Mortgagor (by purchase, consolidation, merger, donation, construction, erection or in any other way) wherever located, including (without limitation) all and singular the following:

- A. all of those fee and leasehold interests in real property set forth in Schedule "B" hereto, subject in each case to those matters set forth in such Schedule; and
- B. all of those fee and leasehold interests in real property set forth in Schedule "B" of the Existing Mortgage or in any restatement, amendment or supplement thereto, subject in each case to those matters set forth in such Schedule; and
- C. all of the kinds, types or items of property, now owned or hereafter acquired, described as Mortgaged Property in the Existing Mortgage or in any restatement, amendment or supplement thereto as Mortgaged Property.

It is further Agreed and Covenanted That the Original Mortgage, as previously restated, amended or supplemented, and this Supplement shall constitute one agreement and the parties hereto shall be bound by all of the terms thereof and, without limiting the foregoing.

- 1. All capitalized terms not defined herein shall have the meaning given in Article I of the Existing Mortgage.
- 2. This Supplemental Mortgage is one of the Supplemental Mortgages contemplated by Article II of the Original Mortgage.
- 3. The Maximum Debt Limit for the Mortgage shall be as set forth in Schedule "A" hereto.

IN WITNESS WHEREOF, EMPIRE ELECTRIC ASSOCIATION, INC., as Mortgagor, has caused this Supplemental Mortgage to be signed in its name and its corporate seal to be hereunto affixed and attested by its officers thereunto duly authorized, UNITED STATES OF AMERICA, as Mortgagee and NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION, as Mortgagee, have each caused this Supplemental Mortgage to be signed in their respective names by duly authorized persons, all as of this day and year first above written.

EMPIRE ELECTRIC ASSOCIATION, INC.

by

President

(Seal)

Attest:

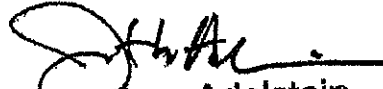
Secretary

Executed by the Mortgagor  
in the presence of:

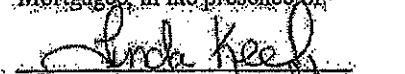

Witnesses

UNITED STATES OF AMERICA

by

  
**Jonathan Adelstein**  
Administrator  
of the  
Rural Utilities Service

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

  
  
Witnesses

STATE OF COLORADO

COUNTY OF

)  
) SS  
)

THE FOREGOING instrument was acknowledged before me this  
, 20 , by  
ELECTRIC ASSOCIATION, INC., a corporation, for and on behalf of said corporation.

day of  
President of EMPIRE

WITNESS my hand and official seal.

\_\_\_\_\_  
Notary Public

(Notarial Seal)

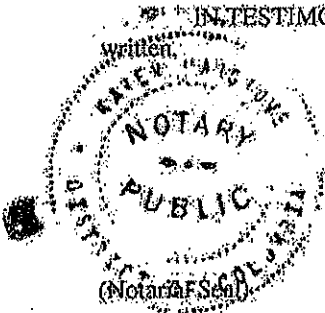
My commission expires:

DISTRICT OF COLUMBIA

SS

On this 1<sup>st</sup> day of November, 2010, personally appeared before me  
**Jonathan Adelstein**, who, being duly sworn, did say that he is the Administrator of  
the Rural Utilities Service, an agency of the United States of America, and acknowledged to me that, acting under a  
delegation of authority duly given and evidenced by law and presently in effect, he executed said instrument as the  
act and deed of the United States of America for the uses and purposes therein mentioned.

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



Karen Hargrove  
Notary Public

My commission expires: KAREN HARGROVE  
NOTARY PUBLIC DISTRICT OF COLUMBIA  
My Commission Expires March 31, 2015

District of Columbia SS  
Subscribed and sworn to before me, in my presence,  
this 1<sup>st</sup> day of November, 2010.  
KAREN HARGROVE  
Notary Public, D.C.  
My commission expires 3/31/2015

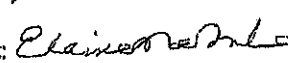
NATIONAL RURAL UTILITIES  
COOPERATIVE FINANCE CORPORATION

by: 

Assistant Secretary-Treasurer

**WILLIAM R. KNECHT III**

(SEAL)

Attest:  ELAINE M. MACDONALD

Assistant Secretary-Treasurer

Executed by the above-named Mortgagee, in the  
presence of:

 Bryan Russell

 Kerry Rollins


Witnesses

COMMONWEALTH OF VIRGINIA

COUNTY OF FAIRFAX

I, Philomena Donaldson, a Notary Public in and for the Commonwealth of Virginia,  
County of Fairfax, do certify that WILLIAM R. KNECHT III name is signed to the writing  
above, bearing the date on the 21<sup>st</sup> day of December, 20 10, has acknowledged the  
same before me in my county aforesaid.

Given under my hand this 21<sup>st</sup> day of December, 20 10.

  
Notary Public

(Notarial Seal)

**PHILOMENA DONALDSON**

**NOTARY PUBLIC**

**REG. #7230499**

**COMMONWEALTH OF VIRGINIA**

**MY COMMISSION EXPIRES JULY 31, 2013**

My commission expires: \_\_\_\_\_

## Supplemental Mortgage Schedule A - Part One

### Maximum Debt Limit and Other Information

1. The Maximum Debt Limit is \$100,000,000.00.

2. The Original Mortgage as referred to in the first WHEREAS clause above is more particularly described as follows:

<u>Instrument Title</u>	<u>Instrument Date</u>
Restated Mortgage and Security Agreement	August 1, 2007

3. The Outstanding Notes referred to in the fourth WHEREAS clause above that are Government Notes are more particularly described as follows:

<u>Loan Designation</u>	<u>Face Amount</u>	<u>Date</u>	<u>Final Maturity</u>	<u>% Rate<sup>1</sup></u>
Z61	\$4,766,000.00	15 Dec 1995	15 Dec 2030	V
AA8 <sup>2</sup>	\$9,429,000.00	1 Dec 1999	31 Dec 2033	V
AB44	\$9,680,000.00	1 Aug 2007	1 Aug 2042	V

4. The Additional Notes described in the sixth WHEREAS clause above are more particularly described as follows:

<u>Loan Designation</u>	<u>Face Amount</u>	<u>Date</u>	<u>Final Maturity</u>	<u>% Rate<sup>3</sup></u>
AC8 <sup>4</sup>	\$42,174,000.00	1 Nov 2010	31 Dec 2044	V

<sup>1</sup>V=variable interest rate calculated by RUS pursuant to title 7 of the Code of Federal Regulations or by the Secretary of Treasury. CFC=an interest rate which may be fixed or variable from time to time as provided in the CFC Loan Agreement pertaining to a loan which has been made by CFC and guaranteed by RUS. CoBank=an interest rate which may be fixed or variable from time to time as provided in the CoBank Loan Agreement pertaining to a loan which has been made by CoBank and guaranteed by RUS.

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

<sup>3</sup>See footnote 1 in this Schedule A.

<sup>4</sup>See footnote 2 in this Schedule A.

**SCHEDULE A: Part Two**

The outstanding secured obligations of the Mortgagor referred to in the fourth WHEREAS clause above are evidenced by the Original Notes described below:

**ORIGINAL NOTES issued to CFC**

<u>CFC Loan Designation</u>	<u>Face Amount of Note</u>	<u>Note Date</u>	<u>Maturity Date</u>
CO 33-C-9003	\$184,000.00	06/18/1976	06/18/2011
CO 33-C-9004	\$275,000.00	05/06/1977	05/06/2012
CO 33-C-9007	\$231,000.00	11/13/1978	11/13/2013
CO 33-C-9009	\$1,629,000.00	11/20/1979	11/20/2014
CO 33-A-9010	\$632,000.00	04/01/1980	04/01/2015
CO 33-C-9011	\$1,006,000.00	12/13/1984	08/13/2019
CO 33-C-9014	\$2,042,000.00	12/15/1995	12/15/2030
CO 33-A-9016	\$3,111,965.00	10/01/2003	12/31/2014
CO 33-V-9017	\$3,000,000.00	11/18/2005	11/18/2045
CO 33-A-9018	\$1,060,340.00	09/20/2010	09/20/2019

**Supplemental Mortgage Schedule B**

**Property Schedule**

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## SCHEDULE "B"

EMPIRE ELECTRIC ASSOCIATION, INC.  
801 NORTH BROADWAY - P.O. DRAWER K  
CORTEZ, COLORADO

### PROPERTY SCHEDULE - COLORADO 33 DOLORES

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- A) THE EXISTING ELECTRIC FACILITIES ARE LOCATED IN THE FOLLOWING COUNTIES:  
MONTEZUMA, DOLORES, SAN MIGUEL COUNTIES IN THE STATE OF COLORADO ; SAN JUAN COUNTY IN THE STATE OF UTAH
- B) THE PROPERTY REFERRED TO IN THE LAST LINE OF PARAGRAPH I OF THE GRANTING CLAUSE INCLUDES THE FOLLOWING:
1. A CERTAIN TRACT OF LAND DESCRIBED IN A CERTAIN DEED, DATED DECEMBER 23, 1958, BY A. W. DENNY AND JACK HAWKINS, NOT RELATED, AS GRANTORS, TO THE MORTGAGOR, AS GRANTEE, AND RECORDED IN THE OFFICE OF THE RECORDER OF MONTEZUMA COUNTY IN THE STATE OF COLORADO, IN DEED BOOK 265 AT PAGE 296
  2. A CERTAIN TRACT OF LAND DESCRIBED IN A CERTAIN DEED, DATED SEPTEMBER 25, 1946, BY CORTEZ LAND AND SECURITIES COMPANY, INC. AS GRANTOR, TO THE MORTGAGOR, AS GRANTEE, AND RECORDED IN THE OFFICE OF THE RECORDER OF MONTEZUMA COUNTY, IN THE STATE OF COLORADO, IN DEED BOOK 176, PAGE 350
  3. A CERTAIN TRACT OF LAND DESCRIBED IN A CERTAIN DEED, DATED OCTOBER 1, 1965, BY L. R. PETERSON AS GRANTOR, TO THE MORTGAGOR, AS GRANTEE, AND RECORDED IN THE OFFICE OF THE RECORDER OF MONTEZUMA COUNTY IN THE STATE OF COLORADO, IN DEED BOOK 353 PAGE 124
  4. A CERTAIN TRACT OF LAND DESCRIBED IN A CERTAIN DEED, DATED SEPTEMBER 14, 1956, BY NORMAN BUTLER AS GRANTOR, TO THE MORTGAGOR, AS GRANTEE, AND RECORDED IN THE OFFICE OF THE RECORDER OF MONTEZUMA COUNTY, IN THE STATE OF COLORADO, IN DEED BOOK 227 PAGE 224
  5. A CERTAIN TRACT OF LAND DESCRIBED IN A CERTAIN DEED, DATED SEPTEMBER 11, 1950, BY C. H. MORROW AND GRACE I. MORROW, HIS

WIFE, AS GRANTORS, TO THE MORTGAGOR, AS GRANTEE, AND RECORDED IN THE OFFICE OF THE RECORDER OF DOLORES COUNTY, IN THE STATE OF COLORADO, IN DEED BOOK 71 PAGE 67

6. A CERTAIN TRACT OF LAND DESCRIBED IN A CERTAIN DEED, DATED APRIL 6, 1949, BY RALPH SMITH AS GRANTOR, TO THE MORTGAGOR, AS GRANTEE, AND RECORDED IN THE OFFICE OF THE RECORDER OF MONTEZUMA COUNTY, IN THE STATE OF COLORADO, IN DEED BOOK 140 PAGE 313
7. A CERTAIN TRACT OF LAND DESCRIBED IN A CERTAIN DEED, DATED JANUARY 18, 1947, BY ADELBERT GUILLET AS GRANTOR, TO THE MORTGAGOR, AS GRANTEE, AND RECORDED IN THE OFFICE OF THE RECORDER OF MONTEZUMA COUNTY, IN THE STATE OF COLORADO IN DEED BOOK 178 PAGE 78
8. A CERTAIN TRACT OF LAND DESCRIBED IN A CERTAIN DEED, DATED DECEMBER 14, 1962, BY H. C. RETHERFORD AND MARY ELIZABETH RETHERFORD, HIS WIFE, AS GRANTORS, TO THE MORTGAGOR, AS GRANTEE, AND RECORDED IN THE OFFICE OF THE RECORDER OF MONTEZUMA COUNTY, IN THE STATE OF COLORADO, IN DEED BOOK 314 PAGE 254
9. A CERTAIN TRACT OF LAND DESCRIBED IN A CERTAIN DEED, DATED SEPTEMBER 29, 1959, BY EMERY SABO AND STELLA SABO, HIS WIFE, AS GRANTORS, TO THE MORTGAGOR, AS GRANTEE, AND RECORDED IN THE OFFICE OF THE RECORDER OF DOLORES COUNTY, IN THE STATE OF COLORADO, IN DEED BOOK 93 PAGE 494
10. A CERTAIN TRACT OF LAND DESCRIBED IN A CERTAIN DEED, DATED OCTOBER 31, 1955, BY GORHAM F. STEERMAN AND HELEN M. STEERMAN, HIS WIFE, AS GRANTORS, TO THE MORTGAGOR, AS GRANTEE, AND RECORDED IN THE OFFICE OF THE RECORDER OF MONTEZUMA COUNTY, IN THE STATE OF COLORADO, IN DEED BOOK 215 PAGE 364
11. A CERTAIN TRACT OF LAND DESCRIBED IN A CERTAIN DEED, DATED JULY 27, 1967, BY WARREN PYLE AS GRANTOR, TO THE MORTGAGOR, AS GRANTEE, AND RECORDED IN THE OFFICE OF THE RECORDER OF MONTEZUMA COUNTY, IN THE STATE OF COLORADO, IN DEED BOOK 373 PAGE 210

12. A CERTAIN TRACT OF LAND DESCRIBED IN A CERTAIN DEED, DATED OCTOBER 11, 1958, BY CLYDE DEREMO AND ELOISE DEREMO, HIS WIFE, AS GRANTORS, TO THE MORTGAGOR, AS GRANTEE, AND RECORDED IN THE OFFICE OF THE RECORDER OF SAN MIGUEL COUNTY, IN THE STATE OF COLORADO, IN DEED BOOK 215 PAGE 307
13. A CERTAIN TRACT OF LAND DESCRIBED IN A CERTAIN DEED, DATED MARCH 21, 1969, BY LUCILLE COLE AS GRANTOR, TO THE MORTGAGOR, AS GRANTEE, AND RECORDED IN THE OFFICE OF THE RECORDER OF MONTEZUMA COUNTY, IN THE STATE OF COLORADO, IN DEED BOOK 392 PAGE 152
14. A CERTAIN TRACT OF LAND DESCRIBED IN A CERTAIN DEED, DATED MARCH 1, 1976, BY EDWARD SAUL AND BERNICE SAUL AS GRANTORS TO THE MORTGAGOR, AS GRANTEE AND RECORDED IN THE OFFICE OF THE RECORDER OF SAN JUAN COUNTY, IN THE STATE OF UTAH, IN DEED BOOK 556 PAGE 64
15. A CERTAIN TRACT OF LAND DESCRIBED IN A CERTAIN DEED, DATED APRIL 18, 1980, BY LEWIS W. AND LORENA O. FULBRIGHT AS GRANTORS, TO THE MORTGAGOR, AS GRANTEE, AND RECORDED IN THE OFFICE OF THE RECORDER OF MONTEZUMA COUNTY, IN THE STATE OF COLORADO, IN DEED BOOK 513 PAGE 83
16. A CERTAIN TRACT OF LAND DESCRIBED IN A CERTAIN DEED, DATED FEBRUARY 11, 1981, BY UTAH POWER AND LIGHT COMPANY AS GRANTORS TO THE MORTGAGOR, AS GRANTEE AND RECORDED IN THE OFFICE OF THE RECORDER OF SAN JUAN COUNTY IN THE STATE OF UTAH, IN DEED BOOK 626 PAGE 79
17. A CERTAIN TRACT OF LAND DESCRIBED IN A CERTAIN DEED, DATED JULY 30, 1981, BY MOUNTAIN VIEW PRIMITIVE BAPTIST CHURCH, INC., AS GRANTORS, TO THE MORTGAGOR, AS GRANTEE, AND RECORDED IN THE OFFICE OF THE RECORDER OF MONTEZUMA COUNTY, IN THE STATE OF COLORADO, IN DEED BOOK 528 PAGE 292
18. A CERTAIN TRACT OF LAND DESCRIBED IN A CERTAIN DEED, DATED JANUARY 10, 1983, BY YOUNG'S MACHINE COMPANY, A UTAH CORPORATION, AS GRANTORS, TO THE MORTGAGOR, AS GRANTEE AND RECORDED IN THE OFFICE OF THE RECORDER OF SAN JUAN COUNTY IN THE STATE OF UTAH, IN DEED BOOK 645, PAGE 259-260

19. A CERTAIN TRACT OF LAND DESCRIBED IN A CERTAIN DEED, DATED MARCH 24, 1982, BY SHELL OIL COMPANY, AS GRANTOR, TO THE MORTGAGOR, AS GRANTEE, AND RECORDED IN THE OFFICE OF THE RECORDER OF MONTEZUMA COUNTY, IN THE STATE OF COLORADO, IN DEED BOOK 540 PAGE 702-704
20. A CERTAIN TRACT OF LAND DESCRIBED IN A CERTAIN DEED, DATED MARCH 24, 1982, BY SHELL OIL COMPANY, AS GRANTOR, TO THE MORTGAGOR, AS GRANTEE, AND RECORDED IN THE OFFICE OF THE RECORDER OF DOLORES COUNTY, IN THE STATE OF COLORADO, IN DEED BOOK 206 PAGE 207-209
21. A CERTAIN TRACT OF LAND DESCRIBED IN A CERTAIN DEED, DATED MARCH 24, 1982, BY SHELL OIL COMPANY, AS GRANTOR, TO THE MORTGAGOR, AS GRANTEE, AND RECORDED IN THE OFFICE OF THE RECORDER OF MONTEZUMA COUNTY, IN THE STATE OF COLORADO, IN DEED BOOK 540 PAGE 708-710
22. A CERTAIN TRACT OF LAND DESCRIBED IN A CERTAIN DEED, DATED MARCH 24, 1982, BY SHELL OIL COMPANY, AS GRANTOR, TO THE MORTGAGOR, AS GRANTEE, AND RECORDED IN THE OFFICE OF THE RECORDER OF MONTEZUMA COUNTY, IN THE STATE OF COLORADO, IN DEED BOOK 540 PAGE 705-707
23. A CERTAIN TRACT OF LAND DESCRIBED IN A CERTAIN DEED, DATED MARCH 24, 1982, BY SHELL OIL COMPANY, AS GRANTOR, TO THE MORTGAGOR, AS GRANTEE, AND RECORDED IN THE OFFICE OF THE RECORDER OF MONTEZUMA COUNTY, IN THE STATE OF COLORADO, IN DEED BOOK 540 PAGE 699-701
24. A CERTAIN TRACT OF LAND DESCRIBED IN A CERTAIN DEED, DATED DECEMBER 27, 1983, BY PAUL H. MARSELL AND BILLIE W. MARSELL, AS GRANTORS, TO THE MORTGAGOR, AS GRANTEE, AND RECORDED IN THE OFFICE OF THE RECORDER OF MONTEZUMA COUNTY, IN THE STATE OF COLORADO, IN DEED BOOK 558 PAGE 595
25. A CERTAIN TRACT OF LAND DESCRIBED IN A CERTAIN DEED, DATED FEBRUARY 24, 1995, BY HIGH COUNTRY TRANSPORTATION, AS GRANTOR, TO THE MORTGAGOR, AS GRANTEE, AND RECORDED IN THE OFFICE OF THE RECORDER OF MONTEZUMA COUNTY, IN THE STATE OF COLORADO, IN DEED BOOK 0704 PAGE 151

26. A CERTAIN TRACT OF LAND DESCRIBED IN A CERTAIN DEED, DATED JANUARY 23, 1996 by ROBERT L. LEIGHTON, AS GRANTOR, TO THE MORTGAGOR, AS GRANTEE, AND RECORDED IN THE OFFICE OF THE RECORDER OF MONTEZUMA COUNTY, IN THE STATE OF COLORADO, IN DEED BOOK 0721 PAGE 579.
27. A CERTAIN TRACT OF LAND DESCRIBED IN A CERTAIN DEED, DATED **OCTOBER 14, 2009** by KEITH A. COLE, AS GRANTOR, TO THE MORTGAGOR, AS GRANTEE, AND RECORDED IN THE OFFICE OF THE RECORDER OF MONTEZUMA COUNTY, IN THE STATE OF COLORADO, RECEPTION NO. 567145.

2/25/2010

# Exhibit 5

EMPIRE ELECTRIC ASSOCIATION, INC.  
LONG RANGE FINANCIAL FORECAST  
2010 - 2019

STATEMENT OF ASSUMPTIONS

GENERAL COMMENTS ON ASSUMPTIONS AND PROCEDURES

Prior to the preparation of this forecast, an analysis was made of historical operations of the cooperative. This analysis, using three years of historical data, together with an analysis of various factors and trends expected in the future, is the basis on which this forecast has been prepared.

Comments on assumptions and computations in specific sections of the forecast are given on the following pages under the respective form numbers.

A brief overview of the system including information about the service territory, local economy, load characteristics, etc. is included in the 2008 Load Forecast.

Cathy Cobb of SGS Engineering, LLC of Albuquerque, New Mexico prepared the forecast using COMPASS® software on March 11, 2010.

The Cooperative has not experienced any known reduction in sales as a result of increases in wholesale power costs and/or increases in retail rates. Therefore we assume the Cooperative remains competitive and will continue to remain competitive as the costs of fuel, labor, materials and benefits continue to increase. The Cooperative continues to add consumers which we believe to be an indication that our rate structure is competitive. Any competition would likely experience the same or similar cost increases in operating expenses and cost of service as our Cooperative. Therefore we assume that we will be able to maintain price elasticity.

#### FORM 325A - FINANCIAL RATIOS

- (1) The TIER ratios are projected between 2.09 and 3.64 for years 2010-2019 and DSC is projected between 1.98 and 2.63. The operating TIER is between 1.10 and 1.22 for years 2010-2019. The forecast shows the need for rate increases in 2011-2019 above the present rates to satisfy the minimum mortgage requirements. The driver of the rate increases is Operating TIER ratio.
- (2) Equity is projected to be between 54.8% in 2009 and 47.0% in 2019.

#### FORM 325C - STATEMENT OF OPERATIONS

- (1) Empire Electric Association, Inc. (Empire) purchases wholesale power from Tri-State Generation and Transmission Association, Inc. (Tri-State) under an all-power requirements contract. Wholesale power cost was \$.06112 per kWh purchased in 2009, projected to remain the same in 2010 and is projected to increase through the forecast period to \$.09482 in 2019. Empire does not pass through any increases in the cost of purchased power in its retail rates but rather changes rates when needed depending on the increases from Tri-State.

In the preparation of this forecast revenue has been projected on the basis of rates presently in effect for each class of service.

- (2) Interest expense on new loans has been computed based on 100% financing from RUS at 5.5% interest for Federal Financing Bank loans.

#### FORM 325D - GENERAL FUNDS SUMMARY

- (1) Capital credit retirements are projected at 25% of the prior years' margins.
- (2) A figure of \$3,262,442 is shown as reimbursement (Line 1.E.) in 2010 to general funds. This is for reimbursement to general funds of \$3,262,442 for Budget Purpose 1 and is for work order inventories and special equipment summaries dated from October 2008 through January 2010.

#### FORM 325E - DETERMINATION OF LOAD

- (1) Future year projections for number of consumers, average monthly use per consumer, annual sales, and annual power requirements were obtained from the 2009 Update of the 2008 Load Forecast Study approved by the Board of Trustees on March 19, 2010.
- (2) The 2010 through 2013 Construction Work Plan indicates 1,000 new member extensions. The 2009 Update of the 2008 Load Forecast indicates 862 net consumers in that same period of 2009 through 2012. A net consumer growth to the construction in the next four year period indicates a ratio of 1.16. This is an overall 5.48% growth rate.

#### FORM 325F - DETERMINATION OF OPERATING REVENUE

- (1) Currently approved retail rates were used in the computation of revenue for each class of service in 2010 through 2019.

#### FORM 325G - DETERMINATION OF PLANT INVESTMENT AND LOAN REQUIREMENTS

- (1) The estimate of electric plant additions is based on the four-year work plan and long-range plan. General Plant additions were based on historical trends as well as expectations of specific future needs. The contributions in aid of construction were considered in plant addition estimates for all future years. Plant retirements were estimated based on average plant retirements as percent of plant additions in prior years. Total plant additions and replacements by years are shown in Item 1.B. A breakdown of plant additions is shown in Items 2.A to 2.E.

(2) Under criteria presently in effect, 100 percent of total loan fund advances are assumed to be made by RUS at the FFB interest rate of 5.5 percent for the years 2010 to the end of the forecast period in 2019. The loan is from loan funds reimbursement in the amount of \$3,262,442 plus new construction from the 2010 – 2013 Construction Work Plan in the amount of \$ 38,912,355 excluding contributions in aid of construction in the amount of \$3,262,442.

(3) The loan amount of \$42,174,000 is represented in 2010 through 2013.

#### FORM 325H - RUS DEBT AND DEBT SERVICE

(1) Analysis of indebtedness to 2 percent RUS loans is shown at the top of this page.

(2) RUS 5 percent loans are broken down into three categories; pre-1983 5 percent loans, loans from 1984 to date at 5 percent.

#### FORM 325I - SUPPLEMENTAL DEBT SERVICE

(1) There are ten current supplemental loans. Future supplemental loans are not projected due to 100% financing from RUS.

(2) All future work plans will be financed using loan funds from 2014 through 2019.

#### FORM 325J - SUMMARY OF CFC TRANSACTIONS

(1) Loan CTC's are not required due to 100% financing from RUS.

#### FORM 325K - DETERMINATION OF OPERATING EXPENSES

(1) Operating and maintenance expense figures for forecasted years are based on historical data and reasonable expectations as plant increases.

(2) Administrative and general expenses are also based on historical data and reasonable expectations as plant increases.

(3) Depreciation and amortization expenses are based on historical data.

(4) The input of ratios for expenses in some categories is based on a per consumer basis and the forecast reflects a plant basis. Therefore some ratios in relation to plant decrease but the actual amount of expense increases.

#### SENSITIVITY ANALYSIS

Three sensitivity analyses are included. The first sensitivity (#1) shows the effect of including a fuel adjustment clause for all of the consumers except the industrial class. The industrial class consists of three large pumping loads that are billed on a cost of purchased power plus margin and maintenance expenses. The margin is based on a 3 TIER ratio on allocated interest expenses. A spreadsheet is attached to the Base forecast illustrating the margin expected from these industrial loads. This sensitivity indicated need for a rate increase in 2011 through the end of the forecast period. In 2011 a 2.7% increase is indicated cumulating to 23.9% at the end of the forecast period. The second sensitivity (#2) shows the effect of losing one-half of the kWh sales of the three major industrial loads. This sensitivity indicated the need for a rate increase in 2011 of 3.4% cumulating to 32.4% at the end of the forecast period. The third sensitivity (#3) shows the effect of increasing the interest rate on RUS loans to 6.5% and indicates the need for a larger rate increase throughout the forecast period culminating to a 24.9% increase compared to 23.9% in the Base study. A spreadsheet comparing the Base forecast with the three sensitivities is included.

ITEM	** Future Years **										
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Ratios with Additional Revenue											
1. Equity	54.8%	49.8%	49.8%	44.7%	44.9%	45.8%	46.5%	47.0%	47.2%	47.2%	47.0%
2. Debt Service Coverage (DSC)	3.61	2.63	2.37	2.32	2.15	2.20	2.14	2.12	2.06	2.01	1.98
3. Times Interest Earned Ratio (TIER)	4.65	3.64	2.97	2.70	2.36	2.30	2.27	2.24	2.19	2.14	2.09
Revenue Comparison											
4. Average Revenue per Mwh	\$ 83.27	\$ 83.89	\$ 88.24	\$ 94.98	\$ 100.45	\$ 104.81	\$ 109.25	\$ 114.04	\$ 119.23	\$ 124.79	\$ 130.73
5. Increase in Average Revenue (Annual)		0.7%	5.2%	7.6%	5.8%	4.3%	4.2%	4.4%	4.6%	4.7%	4.8%
6. Total Utility Plant per Mwh Sold	\$ 112.16	\$ 125.08	\$ 132.54	\$ 161.96	\$ 169.81	\$ 174.13	\$ 179.25	\$ 185.51	\$ 193.09	\$ 201.72	\$ 211.54
Ratios to Total Utility Plant											
7. Net General Funds	5.2%	8.4%	7.1%	5.6%	5.2%	5.2%	5.1%	5.1%	5.0%	4.9%	4.8%
8. Depreciation & Amortization	34.7%	32.5%	32.7%	28.9%	29.7%	31.1%	32.4%	33.4%	34.2%	34.9%	35.4%
Ratios to Consumers											
9. Operations & Maintenance	\$ 256.32	\$ 311.65	\$ 327.80	\$ 397.62	\$ 413.31	\$ 420.25	\$ 429.37	\$ 441.09	\$ 455.19	\$ 471.83	\$ 491.19
10. Administrative & General	\$ 139.61	\$ 139.61	\$ 139.61	\$ 139.61	\$ 139.61	\$ 139.61	\$ 139.61	\$ 139.61	\$ 139.61	\$ 139.61	\$ 139.61
Rate Information											
11. Plant Revenue Ratio	5.34	5.80	5.82	6.17	6.01	6.00	6.05	6.09	6.14	6.19	6.24
12. Rate of Return on Rate Base		4.2%	4.5%	4.0%	4.9%	5.1%	5.1%	5.2%	5.2%	5.3%	5.3%
13. Rate Base = 104% Net Utility Plant / 1000		\$ 54,521	\$ 57,955	\$ 75,303	\$ 78,403	\$ 79,127	\$ 80,457	\$ 82,425	\$ 85,063	\$ 88,403	\$ 92,481
14. Required Increase Over Present Rates		0.0%	2.7%	7.8%	11.2%	13.2%	15.0%	17.0%	19.2%	21.5%	23.9%
Modified Ratios											
15. Modified Debt Service Coverage		1.35	1.28	1.35	1.33	1.38	1.36	1.36	1.35	1.33	1.34
16. Modified Times Interest Earned Ratio		1.30	1.15	1.14	1.13	1.13	1.13	1.13	1.13	1.13	1.13
17. Operating Times Interest Earned Ratio		1.22	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10	1.10
18. Operating Debt Service Coverage		1.30	1.24	1.32	1.30	1.36	1.33	1.33	1.32	1.31	1.31
Pro Forma Balance Sheet - RUS Form 325 B											
ITEM	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
1. Assets and Other Debits											
A. Total Utility Plant	\$ 67,997,786	\$ 77,768,420	\$ 82,900,508	\$ 101,896,717	\$ 107,333,990	\$ 110,554,976	\$ 114,445,601	\$ 119,054,282	\$ 124,432,241	\$ 130,633,644	\$ 137,715,762
B. Accum. Prov. for Depr.	23,647,735	25,344,143	27,164,197	29,489,826	31,946,055	34,470,936	37,082,141	39,798,645	42,640,806	45,630,439	48,750,904
C. Net Utility Plant	\$ 44,350,051	\$ 52,424,277	\$ 55,736,311	\$ 72,406,891	\$ 75,387,935	\$ 76,084,040	\$ 77,363,460	\$ 79,255,637	\$ 81,791,435	\$ 85,003,205	\$ 88,924,858
D. Net General Funds	3,517,721	6,567,902	5,867,956	5,676,994	5,619,313	5,791,169	5,878,788	6,032,522	6,183,929	6,342,797	6,586,854
E. General Funds Excludable	1,878,051	1,868,769	1,860,021	1,851,394	1,842,883	1,834,375	1,830,172	1,819,108	1,808,755	1,797,714	1,785,938
F. Other Assets and Debits	38,206,532	42,550,933	46,855,387	51,175,218	55,482,114	59,789,703	64,090,512	68,387,028	72,681,260	76,975,760	81,268,322
G. Total Assets & Other Debits	\$ 87,952,355	\$ 103,411,881	\$ 110,329,675	\$ 131,110,407	\$ 138,332,245	\$ 143,499,287	\$ 149,182,932	\$ 155,494,295	\$ 162,465,379	\$ 170,119,476	\$ 178,565,972
2. Liabilities and Other Credits											
A. Total Margins & Equities	\$ 48,155,977	\$ 51,516,851	\$ 54,985,442	\$ 58,543,081	\$ 62,161,256	\$ 65,780,440	\$ 69,397,270	\$ 73,021,501	\$ 76,657,381	\$ 80,309,537	\$ 83,978,026
B. Long Term Debt - RUS											
1. Long Term Debt - 2%	0	0	0	0	0	0	0	0	0	0	0
2. Long Term Debt - 5%	679,482	495,186	301,501	97,949	0	0	0	0	0	0	0
3. Long Term Debt - (Post 8/83)	22,323,204	35,462,831	39,973,079	58,267,112	62,849,436	65,067,864	67,745,630	71,028,430	74,975,483	79,627,786	85,078,352
Total Long Term Debt - RUS	\$ 23,002,686	\$ 35,958,017	\$ 40,274,580	\$ 58,365,061	\$ 62,849,436	\$ 65,067,864	\$ 67,745,630	\$ 71,028,430	\$ 74,975,483	\$ 79,627,788	\$ 85,078,352
C. Long Term Debt - CFC	9,412,123	8,555,444	7,688,084	6,820,696	5,939,984	5,269,414	4,638,463	4,062,795	3,450,946	2,800,582	2,128,025
D. Other Liabilities & Credits	7,381,569	7,381,569	7,381,569	7,381,569	7,381,569	7,381,569	7,381,569	7,381,569	7,381,569	7,381,569	7,381,569
E. Unamortized Debt Discount	0	0	0	0	0	0	0	0	0	0	0
F. Total Liabilities & Credits	\$ 87,952,355	\$ 103,411,881	\$ 110,329,675	\$ 131,110,407	\$ 138,332,245	\$ 143,499,287	\$ 149,182,932	\$ 155,494,295	\$ 162,465,379	\$ 170,119,476	\$ 178,565,972

ITEM	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
1. Accrual Basis										
A1. Addit. Rev. for TIER & DSC Goals		\$ 1,425,595	\$ 4,334,092	\$ 6,418,061	\$ 7,752,158	\$ 9,089,886	\$ 10,613,213	\$ 12,358,230	\$ 14,264,421	\$ 16,399,704
A2. Oper.Rev.&Pat.Cap(Present Rates)	\$ 52,157,662	\$ 53,762,798	\$ 55,423,422	\$ 57,074,249	\$ 58,790,358	\$ 60,665,872	\$ 62,577,054	\$ 64,481,753	\$ 66,531,803	\$ 68,708,041
B. Cost of Purchased Power	38,759,808	40,944,313	43,250,141	45,627,133	48,127,938	50,829,482	53,650,911	56,572,571	59,702,723	63,027,240
C. Oper. Revenue less Cost of Power	\$ 13,397,854	\$ 14,244,081	\$ 16,507,373	\$ 17,965,177	\$ 18,414,578	\$ 18,926,276	\$ 19,539,356	\$ 20,267,412	\$ 21,113,501	\$ 22,080,505
D. Operations & Maintenance Expense	5,039,394	5,371,954	6,502,907	6,955,243	7,163,962	7,416,075	7,714,718	8,063,209	8,465,060	8,923,981
E. Consumer Acc. & Sales Expense	1,690,515	1,713,306	1,736,097	1,759,307	1,782,203	1,805,725	1,828,517	1,851,935	1,875,667	1,899,399
F. Adm. & Gen. & Other Ded. Expense	2,257,529	2,287,965	2,318,400	2,349,394	2,379,969	2,411,382	2,441,817	2,473,091	2,504,782	2,536,474
G. Depreciation & Amortization Expense	2,146,408	2,288,054	2,812,349	2,962,418	3,051,317	3,158,699	3,285,898	3,434,330	3,605,489	3,800,955
H. Tax Expense	0	0	0	0	0	0	0	0	0	0
I. Interest Expense	1,854,718	2,378,064	2,791,235	3,517,692	3,695,124	3,785,466	3,908,053	4,067,293	4,261,473	4,493,400
J. Amortized Gain on Prepayment	0	0	0	0	0	0	0	0	0	0
K. Total Cost of Electric Service	\$ 51,748,372	\$ 54,983,656	\$ 59,511,129	\$ 63,171,187	\$ 66,200,513	\$ 69,406,629	\$ 72,829,914	\$ 76,462,429	\$ 80,415,194	\$ 84,681,449
L. Patronage Capital & Oper. Margins	409,290	204,738	246,385	321,123	342,003	348,929	360,353	377,554	401,030	426,296
M. Nonoperating Margins	142,332	142,332	142,332	142,332	142,332	142,332	142,332	142,332	142,332	142,332
N. G. & T. and Other Capital Credits	4,300,000	4,300,000	4,300,000	4,300,000	4,300,000	4,300,000	4,300,000	4,300,000	4,300,000	4,300,000
O. CFC Capital Credits	52,380	47,522	42,570	37,542	35,098	30,427	26,968	23,407	19,617	15,606
P. Total Accrual Margins	\$ 4,904,002	\$ 4,694,592	\$ 4,731,287	\$ 4,800,997	\$ 4,819,433	\$ 4,821,688	\$ 4,829,653	\$ 4,843,293	\$ 4,862,979	\$ 4,884,234
2. Cash Basis										
A. Cash from Operations before D. S.	\$ 4,552,748	\$ 5,013,188	\$ 5,992,301	\$ 6,943,565	\$ 7,230,776	\$ 7,435,426	\$ 7,696,636	\$ 8,021,509	\$ 8,410,324	\$ 8,862,983
B. Total Debt Service	3,389,142	3,956,949	4,456,191	5,238,816	5,251,266	5,507,611	5,683,071	5,978,455	6,324,078	6,655,180
C. Cash Margins after Debt Service	\$ 1,163,606	\$ 1,056,239	\$ 1,536,110	\$ 1,704,749	\$ 1,979,510	\$ 1,927,815	\$ 2,013,565	\$ 2,043,054	\$ 2,086,246	\$ 2,207,803
1. Summary of General Funds										
A. Net General Funds Beginning Year	\$ 3,517,721	\$ 6,567,902	\$ 5,867,956	\$ 5,576,904	\$ 5,619,313	\$ 5,791,169	\$ 5,878,788	\$ 6,032,522	\$ 6,183,929	\$ 6,342,797
B. Cash Margins After Debt Service	1,163,606	1,056,239	1,536,110	1,704,749	1,979,510	1,927,815	2,013,565	2,043,054	2,086,246	2,207,803
C. Other Proceeds	0	0	0	0	0	0	0	0	0	0
D. Sale of Excludable Items	0	0	0	0	0	0	0	0	0	0
E. Reimbursement of General Funds	3,962,442	0	0	0	0	0	0	0	0	0
F. Refund of G. & T. Capital Credits	0	0	0	0	0	0	0	0	0	0
G. Refund of CFC Capital Credits	7,979	33,068	32,739	30,646	27,509	29,618	30,452	29,175	25,117	23,044
H. Refund of Capital Term Certificates	9,282	8,748	8,627	8,511	8,508	4,203	11,064	10,353	11,041	11,776
2. Total General Funds Available	\$ 8,661,030	\$ 7,665,957	\$ 7,445,432	\$ 7,420,810	\$ 7,634,840	\$ 7,752,805	\$ 7,933,969	\$ 8,115,104	\$ 8,306,333	\$ 8,585,420
3. Proposed Uses of General Funds										
A. Purchase of Excludable Items	0	0	0	0	0	0	0	0	0	0
B. Capital Credit Refirements	1,543,128	1,226,001	1,173,648	1,182,822	1,200,249	1,204,858	1,205,422	1,207,413	1,210,823	1,215,745
C. General Funds Invested in Plant	550,000	572,000	594,880	618,675	643,422	669,159	695,925	723,762	752,713	782,821
D. Purchase of Capital Term Certif.	0	0	0	0	0	0	0	0	0	0
E. Purchase of Member Capital Sec.	0	0	0	0	0	0	0	0	0	0
F. Other Uses of General Funds	0	0	0	0	0	0	0	0	0	0
4. Total Proposed Uses - General Funds	\$ 2,093,128	\$ 1,798,001	\$ 1,768,528	\$ 1,801,497	\$ 1,843,671	\$ 1,874,017	\$ 1,901,347	\$ 1,931,175	\$ 1,963,536	\$ 1,998,566
5. Net General Funds - End of Year	\$ 6,567,902	\$ 5,867,956	\$ 5,676,904	\$ 5,619,313	\$ 5,791,169	\$ 5,878,788	\$ 6,032,522	\$ 6,183,929	\$ 6,342,797	\$ 6,586,854

## General Funds Summary - RUS Form 325 D

ITEM	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
1. Summary of General Funds										
A. Net General Funds Beginning Year	\$ 3,517,721	\$ 6,567,902	\$ 5,867,956	\$ 5,576,904	\$ 5,619,313	\$ 5,791,169	\$ 5,878,788	\$ 6,032,522	\$ 6,183,929	\$ 6,342,797
B. Cash Margins After Debt Service	1,163,606	1,056,239	1,536,110	1,704,749	1,979,510	1,927,815	2,013,565	2,043,054	2,086,246	2,207,803
C. Other Proceeds	0	0	0	0	0	0	0	0	0	0
D. Sale of Excludable Items	0	0	0	0	0	0	0	0	0	0
E. Reimbursement of General Funds	3,962,442	0	0	0	0	0	0	0	0	0
F. Refund of G. & T. Capital Credits	0	0	0	0	0	0	0	0	0	0
G. Refund of CFC Capital Credits	7,979	33,068	32,739	30,646	27,509	29,618	30,452	29,175	25,117	23,044
H. Refund of Capital Term Certificates	9,282	8,748	8,627	8,511	8,508	4,203	11,064	10,353	11,041	11,776
2. Total General Funds Available	\$ 8,661,030	\$ 7,665,957	\$ 7,445,432	\$ 7,420,810	\$ 7,634,840	\$ 7,752,805	\$ 7,933,969	\$ 8,115,104	\$ 8,306,333	\$ 8,585,420
3. Proposed Uses of General Funds										
A. Purchase of Excludable Items	0	0	0	0	0	0	0	0	0	0
B. Capital Credit Refirements	1,543,128	1,226,001	1,173,648	1,182,822	1,200,249	1,204,858	1,205,422	1,207,413	1,210,823	1,215,745
C. General Funds Invested in Plant	550,000	572,000	594,880	618,675	643,422	669,159	695,925	723,762	752,713	782,821
D. Purchase of Capital Term Certif.	0	0	0	0	0	0	0	0	0	0
E. Purchase of Member Capital Sec.	0	0	0	0	0	0	0	0	0	0
F. Other Uses of General Funds	0	0	0	0	0	0	0	0	0	0
4. Total Proposed Uses - General Funds	\$ 2,093,128	\$ 1,798,001	\$ 1,768,528	\$ 1,801,497	\$ 1,843,671	\$ 1,874,017	\$ 1,901,347	\$ 1,931,175	\$ 1,963,536	\$ 1,998,566
5. Net General Funds - End of Year	\$ 6,567,902	\$ 5,867,956	\$ 5,676,904	\$ 5,619,313	\$ 5,791,169	\$ 5,878,788	\$ 6,032,522	\$ 6,183,929	\$ 6,342,797	\$ 6,586,854

## \*\* Previous Years \*\*

## \*\* Future Years \*\*

ITEM	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
1. Number of Consumers													
A. Residential	12,858	13,016	13,062	13,418	13,619	13,821	14,028	14,230	14,439	14,642	14,850	15,060	15,272
B. Seasonal	0	0	0	0	0	0	0	0	0	0	0	0	0
C. Irrigation	119	120	119	150	151	152	153	154	155	156	158	160	162
D. Comm. and Ind. 1000 KVA or	2,543	2,560	2,558	2,592	2,608	2,623	2,637	2,652	2,667	2,681	2,695	2,710	2,723
E. Comm. and Ind. Over 1000	2	2	2	2	2	2	2	2	3	3	3	3	3
F. Public Street Lights	5	5	5	5	5	5	5	5	5	5	5	5	5
G. Industrial	2	3	3	3	3	3	3	3	3	3	3	3	3
H. Sales for Resale - RUS	0	0	0	0	0	0	0	0	0	0	0	0	0
I. Other 2	0	0	0	0	0	0	0	0	0	0	0	0	0
J. Mercury Vapor Lights	0	0	0	0	0	0	0	0	0	0	0	0	0
K. Total Consumers	15,529	15,706	15,749	16,170	16,388	16,606	16,828	17,047	17,272	17,490	17,714	17,941	18,168
2. Average Monthly Kwh Usage per Consumer													
A. Residential	668	684	658	683	684	685	682	683	689	693	693	695	700
B. Seasonal	0	0	0	0	0	0	0	0	0	0	0	0	0
C. Irrigation	1,073	1,145	1,137	853	856	854	854	857	858	857	856	856	858
D. Comm. and Ind. 1000 KVA or	3,346	3,314	3,244	3,339	3,336	3,339	3,339	3,339	3,339	3,338	3,339	3,338	3,339
E. Comm. and Ind. Over 1000	309,445	293,359	293,712	321,238	324,658	348,418	361,978	350,358	259,398	268,438	277,478	286,518	295,557
F. Public Street Lights	10,439	10,658	9,528	10,147	10,147	10,147	10,147	10,147	10,147	10,147	10,147	10,147	10,147
G. Industrial	12,646,103	9,588,305	10,952,868	11,055,690	11,080,389	11,105,098	11,129,787	11,129,787	11,129,787	11,129,787	11,129,787	11,129,787	11,129,787
H. Sales for Resale - RUS	0	0	0	0	0	0	0	0	0	0	0	0	0
I. Other 2	0	0	0	0	0	0	0	0	0	0	0	0	0
J. Mercury Vapor Lights	0	0	0	0	0	0	0	0	0	0	0	0	0
3. Annual Mwh Sales													
A. Residential	103,117	106,921	103,241	110,000	111,853	113,720	114,834	116,732	119,393	121,790	123,534	125,760	128,312
B. Seasonal	0	0	0	0	0	0	0	0	0	0	0	0	0
C. Irrigation	1,532	1,649	1,696	1,536	1,551	1,558	1,569	1,594	1,596	1,605	1,624	1,645	1,668
D. Comm. and Ind. 1000 KVA or	102,136	101,808	99,606	103,857	104,484	105,101	105,674	106,272	106,867	107,416	107,993	108,565	109,110
E. Comm. and Ind. Over 1000	7,426	7,040	6,809	7,711	8,036	8,362	8,687	9,012	9,338	9,663	9,989	10,314	10,640
F. Public Street Lights	526	603	571	608	608	608	608	608	608	608	608	608	608
G. Industrial	303,554	359,579	394,303	398,004	398,894	399,783	400,672	400,672	400,672	400,672	400,672	400,672	400,672
H. Sales for Resale - RUS	0	0	0	0	0	0	0	0	0	0	0	0	0
I. Other 2	0	0	0	0	0	0	0	0	0	0	0	0	0
J. Mercury Vapor Lights	0	0	0	0	0	0	0	0	0	0	0	0	0
4. Annual Power Requirements													
A. Total Mwh Sold	518,394	577,602	506,228	621,719	625,428	629,134	632,047	634,883	638,468	641,758	644,422	647,567	651,013
A1. Total Mwh Sold - No Line	0	0	0	0	0	0	0	0	0	0	0	0	0
B. System Own Mwh Use	1,392	1,441	1,246	1,247	1,247	1,247	1,247	1,247	1,247	1,247	1,247	1,247	1,247
C. System Loss Percentage (%)	2.34%	2.05%	1.65%	1.76%	1.77%	1.78%	1.79%	1.80%	1.82%	1.83%	1.84%	1.86%	1.87%
D. Total Mwh Requirements	532,229	591,171	617,650	634,127	637,967	641,905	644,837	647,790	651,573	654,991	657,772	661,110	664,690

## \*\* Previous Years \*\*

## \*\* Future Years \*\*

## Estimated Revenue

2019

2018

2017

2016

2015

2014

2013

2012

2011

2010

2009

2008

2007

## 1. Residential

A. Total Annual Mwh Sold	103,117	106,921	103,241	110,000	111,853	113,720	114,834	115,732	119,383	121,790	123,534	125,760	128,312
B. Average Rev. per Mwh Sold	117.90	125.49	133.12	133.12	133.12	133.12	133.12	133.12	133.12	133.12	133.12	133.12	133.12
C. Monthly Charge / Consumer	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
D. Average Number of Consumers	12,858	13,016	13,062	13,418	13,619	13,821	14,028	14,230	14,439	14,642	14,850	15,060	15,272
E. Rev. less FlowThru Adj.	12,158,058	13,417,882	13,744,111	14,643,877	14,890,495	15,139,103	15,287,458	15,540,051	15,893,035	16,213,441	16,445,544	16,741,934	17,081,711

## 2. Seasonal

A. Total Annual Mwh Sold	0	0	0	0	0	0	0	0	0	0	0	0	0
B. Average Rev. per Mwh Sold	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
C. Monthly Charge / Consumer	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
D. Average Number of Consumers	0	0	0	0	0	0	0	0	0	0	0	0	0
E. Rev. less FlowThru Adj.	0	0	0	0	0	0	0	0	0	0	0	0	0

## 3. Irrigation

A. Total Annual Mwh Sold	1,532	1,549	1,536	1,536	1,551	1,558	1,559	1,584	1,596	1,605	1,624	1,645	1,668
B. Average Rev. per Mwh Sold	116.05	120.08	125.37	125.37	125.37	125.37	125.37	125.37	125.37	125.37	125.37	125.37	125.37
C. Monthly Charge / Consumer	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
D. Average Number of Consumers	119	120	119	150	151	152	153	154	155	156	158	160	162
E. Rev. less FlowThru Adj.	177,858	198,081	212,666	192,659	194,481	195,441	196,774	198,645	200,216	201,547	203,655	206,263	209,197

## 4. Comm. and Ind. 1000 KVA or Less

A. Total Annual Mwh Sold	102,136	101,808	99,605	103,857	104,484	105,101	105,674	106,272	106,867	107,416	107,993	108,585	109,110
B. Average Rev. per Mwh Sold	96.98	104.05	108.63	108.63	108.63	108.63	108.63	108.63	108.63	108.63	108.63	108.63	108.63
C. Monthly Charge / Consumer	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
D. Average Number of Consumers	2,543	2,560	2,558	2,582	2,608	2,623	2,637	2,652	2,667	2,681	2,695	2,710	2,723
E. Rev. less FlowThru Adj.	9,906,203	10,595,215	10,820,571	11,282,370	11,350,542	11,417,505	11,479,781	11,544,759	11,609,438	11,669,068	11,731,696	11,793,832	11,853,058

## 5. Comm. and Ind. Over 1000 KVA

A. Total Annual Mwh Sold	7,426	7,040	6,809	7,711	8,036	8,362	8,687	9,012	9,338	9,663	9,989	10,314	10,640
B. Average Rev. per Mwh Sold	85.82	91.39	97.14	97.14	97.14	97.14	97.14	97.14	97.14	97.14	97.14	97.14	97.14
C. Monthly Charge / Consumer	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
D. Average Number of Consumers	2	2	2	2	2	2	2	2	2	2	2	2	2
E. Rev. less FlowThru Adj.	637,412	643,494	661,487	749,121	780,736	812,351	843,966	875,582	907,197	938,812	970,427	1,002,042	1,033,658

## 6. Public Street Lights

A. Total Annual Mwh Sold	626	603	571	608	608	608	608	608	608	608	608	608	608
B. Average Rev. per Mwh Sold	244.37	258.37	278.01	278.01	278.01	278.01	278.01	278.01	278.01	278.01	278.01	278.01	278.01
C. Monthly Charge / Consumer	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
D. Average Number of Consumers	5	5	5	5	5	5	5	5	5	5	5	5	5
E. Rev. less FlowThru Adj.	153,068	155,939	159,941	169,263	169,263	169,263	169,263	169,263	169,263	169,263	169,263	169,263	169,263

## \*\* Previous Years \*\*

## \*\* Future Years \*\*

## Estimated Revenue

2019

2018

2017

2016

2015

2014

2013

2012

2011

2010

2009

2008

2007

## 7. Industrial

A. Total Annual Mwh Sold	303,554	359,579	394,303	396,004	398,894	399,783	400,672	400,672	400,672	400,672	400,672	400,672	400,672	400,672	400,672	400,672	400,672
B. Average Rev. per Mwh Sold	53.74	59.69	62.15	62.17	65.18	68.32	71.68	75.08	78.64	82.38	86.31	90.45	94.80	99.15	103.50	107.85	112.20
C. Monthly Charge / Consumer	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
D. Average Number of Consumers	2	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3	3
E. Rev. less FlowThru Adj.	16,315,052	21,463,415	24,506,816	24,744,081	26,000,990	27,313,468	28,720,716	30,085,767	31,510,437	33,008,932	34,564,877	36,242,178	37,964,962	39,737,746	41,560,530	43,433,314	45,356,098

## 8. Sales for Resale - RUS Borrower

A. Total Annual Mwh Sold	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
B. Average Rev. per Mwh Sold	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
C. Monthly Charge / Consumer	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
D. Average Number of Consumers	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
E. Rev. less FlowThru Adj.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

## 9. Other 2

A. Total Annual Mwh Sold	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
B. Average Rev. per Mwh Sold	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
C. Monthly Charge / Consumer	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
D. Average Number of Consumers	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
E. Rev. less FlowThru Adj.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

## 10. Mercury Vapor Lights

A. Total Annual Mwh Sold	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
B. Average Revenue per Mwh Sold	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
C. Monthly Charge / Consumer	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
D. Average Number of Consumers	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
E. Rev. less FlowThru Adj.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

## 11. Flow Through Adjustments

A. Mwh Sold Subject to Adj. - 1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
B. Flow Through Adj. - 1 per Mwh	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
C. Revenue from Adjustment - 1	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
D. Mwh Sold Subject to Adj. - 2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
E. Flow Through Adj. - 2 per Mwh	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
F. Revenue from Adjustment - 2	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
G. Total Rev. from Adjust.	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

## 12. Rev. - Electric Energy

	39,347,651	46,472,026	50,104,592	51,751,371	53,386,507	55,047,131	56,697,958	58,414,067	60,289,581	62,200,763	64,105,452	66,155,512	68,331,750	70,638,041	73,075,492	75,644,193	78,345,144
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## 13. Other Operating Rev.

	337,476	406,628	376,291	376,291	376,291	376,291	376,291	376,291	376,291	376,291	376,291	376,291	376,291	376,291	376,291	376,291	376,291
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## 14. Total Operating Rev.

	39,685,127	46,878,654	50,480,883	52,157,662	53,762,798	55,423,422	57,074,249	58,790,358	60,655,872	62,577,054	64,481,753	66,531,803	68,708,041	70,913,783	73,241,783	75,691,484	78,262,435
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\*\* Previous Years \*\*

\*\* Future Years \*\*

ITEM	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
1. A. Total Utility Plant (B. of Year)	54,375,548	58,244,929	62,947,415	67,587,786	77,748,420	82,800,508	101,886,717	107,333,990	110,584,976	114,445,601	119,054,292	124,432,241	130,533,844
B. Plant Addit. & Replacements	2,619,050	3,631,216	3,037,556	10,720,434	5,100,088	19,982,929	5,443,462	4,267,422	4,878,919	5,740,507	6,555,057	7,425,885	8,355,268
C. Construction Work in Prog.	882,090	1,651,651	2,715,438	0	0	0	0	0	0	0	0	0	0
D. Contributions in Aid of Const.	0	0	0	500,000	500,000	500,000	500,000	520,000	540,800	562,432	584,929	608,326	632,660
E. Refirements	631,390	550,377	702,723	450,000	468,000	486,720	506,199	526,436	547,494	569,394	592,169	615,856	640,490
F. Total Utility Plant (E. of Year)	58,245,288	62,847,415	67,997,786	77,768,420	82,906,508	101,886,717	107,333,990	110,584,976	114,445,601	119,054,292	124,432,241	130,632,644	137,715,762
2. Analysis of Priority Funds													
A. Distribution	3,203,619	2,457,590	2,515,071	9,916,334	4,055,686	5,713,827	5,340,087	3,520,000	4,201,600	4,932,086	5,714,309	6,551,207	7,445,915
B. Headquarters - Loan	0	0	0	0	0	12,659,662	0	0	0	0	0	0	0
C. Other Needs - Loan	0	0	0	0	0	0	0	0	0	0	0	0	0
D. Gen. & Trans. - Loan	66,491	185,314	151,753	254,300	1,472,400	4,560	484,700	104,000	108,160	112,486	116,986	121,665	126,532
E. Warehouse - Loan	0	0	0	0	0	0	0	0	0	0	0	0	0
F. Reimbursement of G. Funds	0	0	0	3,962,442	0	0	0	0	0	0	0	0	0
G. Total of Priority Items	3,275,100	2,642,904	2,666,824	14,133,076	5,528,088	19,388,049	5,824,787	3,624,000	4,309,760	5,044,582	5,831,295	6,672,872	7,572,447
LESS: H. Contrib. Aid of Const													
I. General Funds Invested in Plant													
J. Loan Funds Required for Priority Items													
K. Prior Loan Funds Required				700,000	0	0	0	0	0	0	0	0	0
L. New Joint Loan Funds Req.				12,933,076	5,028,088	18,888,049	5,324,787	3,104,000	3,768,960	4,482,150	5,246,366	5,064,546	6,939,787
M. New Loan Funds - RUS				12,933,076	5,028,088	18,888,049	5,324,787	3,104,000	3,768,960	4,482,150	5,246,366	5,064,546	6,939,787
N. New Loan Funds - CFC				0	0	0	0	0	0	0	0	0	0
3. Analysis of Non-Priority Funds													
A. Headquarters - Gen. Funds	0	332,236	12,700	0	0	0	0	0	0	0	0	0	0
B. General Plant Additions	400,120	656,559	358,032	550,000	572,000	554,880	618,675	643,422	669,159	695,925	723,762	752,713	782,821
C. Gen. & Trans. - Gen. Funds	0	0	0	0	0	0	0	0	0	0	0	0	0
D. Other Needs - Gen. Funds	0	0	0	0	0	0	0	0	0	0	0	0	0
E. Non-Priority Funds Required	400,120	988,855	370,732	550,000	572,000	594,880	618,675	643,422	669,159	695,925	723,762	752,713	782,821
LESS: F. Special Funds Used													
G. General Funds Invested in Plant													
H. Loan Funds Required - Others													
Total New Loan Funds - CFC													



Determination of Debt & Debt Service RUS (After 6/83) - Form 325 H2

A. = Note-Date of Note;		B. = Amount of Note;		C. = Amortization Period / Deferral Period					D. = Interest Rate / Loan Type				
		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019		
1 . A.1200-10 / 1984	E. Bal. 1st of Year	519,401	475,370	429,086	380,436	329,295	275,539	219,033	159,635	97,198	31,567		
	F. Plus: Interest	24,969	22,716	20,350	17,859	15,244	12,494	9,602	5,563	3,369	437		
	G. Less: Payments	69,000	69,000	69,000	69,000	69,000	69,000	69,000	69,000	69,000	32,004		
	H. Bal. End of Year	475,370	429,086	380,436	329,295	275,539	219,033	159,635	97,198	31,567			
	D. 5.0% / LD												
2 . A.1201-11 / 1986	E. Bal. 1st of Year	240	216	192	168	144	120	85	49	13			
	F. Plus: Interest	12	12	12	12	12	1						
	G. Less: Payments	36	36	36	36	36	36	36	36	13			
	H. Bal. End of Year	216	192	168	144	120	85	49	13				
	D. 5.0% / LD												
3 . A.1203-11 / 1988	E. Bal. 1st of Year	534,538	491,258	445,764	397,942	347,673	294,834	239,290	180,904	119,533	55,020		
	F. Plus: Interest	25,744	23,530	21,202	18,755	16,185	13,480	10,638	7,553	4,511	1,245		
	G. Less: Payments	69,024	69,024	69,024	69,024	69,024	69,024	69,024	69,024	69,024	56,265		
	H. Bal. End of Year	491,258	445,764	397,942	347,673	294,834	239,290	180,904	119,533	55,020			
	D. 5.0% / LD												
4 . A.1210-2 / 1996	E. Bal. 1st of Year	1,944,518	1,893,509	1,839,624	1,782,698	1,722,562	1,659,034	1,591,924	1,521,026	1,446,128	1,367,005		
	F. Plus: Interest	105,575	102,799	99,758	96,548	93,156	89,574	85,786	81,786	77,561	73,099		
	G. Less: Payments	156,684	156,684	156,684	156,684	156,684	156,684	156,684	156,684	156,684	156,684		
	H. Bal. End of Year	1,893,509	1,839,624	1,782,698	1,722,562	1,659,034	1,591,924	1,521,026	1,446,128	1,367,005	1,283,420		
	D. 5.5% / LD												
5 . A.1215-9 / 1997	E. Bal. 1st of Year	318,238	309,889	301,068	291,749	281,906	271,508	260,522	248,916	236,655	223,701		
	F. Plus: Interest	17,295	16,823	16,325	15,801	15,246	14,698	14,038	13,383	12,690	11,962		
	G. Less: Payments	25,644	25,644	25,644	25,644	25,644	25,644	25,644	25,644	25,644	25,644		
	H. Bal. End of Year	309,889	301,068	291,749	281,906	271,508	260,522	248,916	236,655	223,701	210,019		
	D. 5.5% / LD												
6 . A.1216-7 / 1998	E. Bal. 1st of Year	943,303	917,929	891,226	863,122	833,546	802,421	769,664	735,190	698,906	660,723		
	F. Plus: Interest	47,706	46,377	44,976	43,504	41,955	40,323	38,606	36,796	34,897	32,894		
	G. Less: Payments	73,080	73,080	73,080	73,080	73,080	73,080	73,080	73,080	73,080	73,080		
	H. Bal. End of Year	917,929	891,226	863,122	833,546	802,421	769,664	735,190	698,906	660,723	620,537		
	D. 5.1% / LD												
7 . A.1217-7 / 1999	E. Bal. 1st of Year	678,865	660,994	642,208	622,462	601,705	579,887	556,953	532,845	507,504	480,866		
	F. Plus: Interest	33,537	32,622	31,662	30,651	29,590	28,474	27,300	26,067	24,770	23,408		
	G. Less: Payments	51,408	51,408	51,408	51,408	51,408	51,408	51,408	51,408	51,408	51,408		
	H. Bal. End of Year	660,994	642,208	622,462	601,705	579,887	556,953	532,845	507,504	480,866	452,866		
	D. 5.0% / LD												

## Determination of Debt &amp; Debt Service RUS (After 6/83) - Form 325 H2

Empire Electric Assn., Inc. (Base)

A. = Note-Date of Note;		B. = Amount of Note;		C. = Amortization Period / Deferral Period					D. = Interest Rate / Loan Type				
		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019		
8 . A. 1220-8 / 2007	E. Bal. 1st of Year	3,957,383	3,900,706	3,841,532	3,779,749	3,715,243	3,647,894	3,577,577	3,504,161	3,427,508	3,347,478		
	F. Plus: Interest	169,847	167,350	164,741	162,018	159,175	156,207	153,108	149,871	146,494	142,970		
	G. Less: Payments	226,524	226,524	226,524	226,524	226,524	226,524	226,524	226,524	226,524	226,524		
	H. Bal. End of Year	3,900,706	3,841,532	3,779,749	3,715,243	3,647,894	3,577,577	3,504,161	3,427,508	3,347,478	3,263,924		
9 . A. 1221-8 / 2007	E. Bal. 1st of Year	3,970,385	3,897,267	3,821,933	3,744,314	3,664,343	3,581,946	3,497,055	3,409,589	3,319,472	3,226,623		
	F. Plus: Interest	117,718	115,502	113,217	110,865	108,441	105,943	103,370	100,719	97,987	95,172		
	G. Less: Payments	190,836	190,836	190,836	190,836	190,836	190,836	190,836	190,836	190,836	190,836		
	H. Bal. End of Year	3,897,267	3,821,933	3,744,314	3,664,343	3,581,948	3,497,055	3,409,589	3,319,472	3,226,623	3,130,959		
10 . A. 10-1 / 1999	E. Bal. 1st of Year	2,059,923	2,023,192	1,984,066	1,942,391	1,897,999	1,850,713	1,800,344	1,746,693	1,689,545	1,628,673		
	F. Plus: Interest	129,361	126,966	124,417	121,700	118,806	115,723	112,441	108,944	105,220	101,252		
	G. Less: Payments	166,092	166,092	166,092	166,092	166,092	166,092	166,092	166,092	166,092	166,092		
	H. Bal. End of Year	2,023,192	1,984,066	1,942,391	1,897,999	1,850,713	1,800,344	1,746,693	1,689,545	1,628,673	1,563,833		
11 . A. 15-1 / 1999	E. Bal. 1st of Year	333,423	327,090	320,375	313,251	305,696	297,685	289,188	280,177	270,621	260,486		
	F. Plus: Interest	19,479	19,097	18,688	18,257	17,801	17,315	16,801	16,256	15,677	15,063		
	G. Less: Payments	25,812	25,812	25,812	25,812	25,812	25,812	25,912	25,812	25,812	25,812		
	H. Bal. End of Year	327,090	320,375	313,251	305,696	297,695	289,188	280,177	270,621	260,486	249,737		
12 . A. 20-1 / 1999	E. Bal. 1st of Year	263,712	258,312	252,614	246,603	240,262	233,572	226,517	219,075	211,226	202,947		
	F. Plus: Interest	13,990	13,682	13,369	13,039	12,690	12,325	11,938	11,531	11,101	10,646		
	G. Less: Payments	19,380	19,380	19,380	19,380	19,380	19,380	19,380	19,380	19,380	19,380		
	H. Bal. End of Year	255,312	252,614	246,603	240,262	233,572	226,517	219,075	211,226	202,947	194,213		
13 . A. 25-1 / 1999	E. Bal. 1st of Year	2,201,818	2,159,600	2,114,858	2,067,440	2,017,187	1,963,930	1,907,489	1,847,673	1,784,285	1,717,101		
	F. Plus: Interest	127,054	124,530	121,854	119,019	116,015	112,831	109,456	105,882	102,090	98,071		
	G. Less: Payments	169,272	169,272	169,272	169,272	169,272	169,272	169,272	169,272	169,272	169,272		
	H. Bal. End of Year	2,159,600	2,114,858	2,067,440	2,017,187	1,963,930	1,907,489	1,847,673	1,784,283	1,717,101	1,645,900		
14 . A. 30-1 / 1999	E. Bal. 1st of Year	465,018	455,958	446,367	436,215	425,468	414,091	402,048	389,298	375,801	361,514		
	F. Plus: Interest	26,304	25,773	25,212	24,617	23,987	23,321	22,614	21,867	21,077	20,242		
	G. Less: Payments	35,364	35,364	35,364	35,364	35,364	35,364	35,364	35,364	35,364	35,364		
	H. Bal. End of Year	455,958	446,367	436,215	425,468	414,091	402,048	389,298	375,801	361,514	346,392		

A. = Note-Date of Note;		B. = Amount of Note;				C. = Amortization Period / Deferral Period				D. = Interest Rate / Loan Type			
		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019		
15 .	A. 35- 1 /1999	E. Bal. 1st of Year	3,132,439	3,071,993	3,008,678	2,942,359	2,872,891	2,800,128	2,723,914	2,644,081	2,560,462		
	B. 3452000	F. Plus: Interest	144,226	141,357	138,353	135,204	131,909	128,498	124,839	121,053	117,085		
	C. 35 / 2	G. Less: Payments	204,672	204,672	204,672	204,672	204,672	204,672	204,672	204,672	204,672		
	D. 4.6% / LD	H. Bal. End of Year	3,071,993	3,008,678	2,942,359	2,872,891	2,800,128	2,723,914	2,644,081	2,560,462	2,472,875		
16 .	A.1222- 8 / 2007	E. Bal. 1st of Year	1,000,000	986,472	972,324	957,527	942,053	925,870	908,944	891,243	872,729		
	B. 1000000	F. Plus: Interest	44,624	44,004	43,355	42,678	41,969	41,226	40,451	39,638	38,792		
	C. 35 / 2	G. Less: Payments	58,152	58,152	58,152	58,152	58,152	58,152	58,152	58,152	58,152		
	D. 4.5% / LD	H. Bal. End of Year	986,472	972,324	957,527	942,053	925,870	908,944	891,243	872,729	853,369		
17 .	A.2010- 7 / 2010	E. Bal. 1st of Year		700,000	700,000	695,822	687,056	677,844	668,159	657,981	647,282		
	B. 700000	F. Plus: Interest	17,500	35,000	34,791	34,590	34,144	33,671	33,178	32,657	32,109		
	C. 35 / 2	G. Less: Payments	17,500	35,000	38,969	43,356	43,356	43,356	43,356	43,356	43,356		
	D. 5.0% / LD	H. Bal. End of Year	700,000	700,000	695,822	687,056	677,844	668,159	657,981	647,282	636,035		
18 .	A.2010- 9 / 2010	E. Bal. 1st of Year		12,933,076	12,933,076	12,886,727	12,741,502	12,588,086	12,426,016	12,254,807	12,073,940		
	B. 12933076	F. Plus: Interest	212,162	711,319	708,770	705,143	696,952	688,298	679,159	669,501	659,297		
	C. 35 / 2	G. Less: Payments	212,162	711,319	755,119	850,368	850,368	850,368	850,368	850,368	850,368		
	D. 5.5% / LD	H. Bal. End of Year	12,933,076	12,933,076	12,886,727	12,741,502	12,588,086	12,426,016	12,254,807	12,073,940	11,882,869		
19 .	A.2011- 9 / 2011	E. Bal. 1st of Year		5,028,088	5,028,088	5,028,088	5,010,069	4,953,614	4,893,974	4,830,970	4,764,412		
	B. 5028088	F. Plus: Interest		89,831	276,545	275,554	274,145	270,960	267,596	264,042	260,288		
	C. 35 / 2	G. Less: Payments		89,831	276,545	293,573	330,600	330,600	330,600	330,600	330,600		
	D. 5.5% / LD	H. Bal. End of Year		5,028,088	5,028,088	5,010,069	4,953,614	4,893,974	4,830,970	4,764,412	4,694,100		
20 .	A.2012- 9 / 2012	E. Bal. 1st of Year				18,888,049	18,888,049	18,820,359	18,608,270	18,384,217	18,147,524		
	B. 18888049	F. Plus: Interest			315,056	1,038,843	1,035,120	1,029,827	1,017,863	1,005,223	991,873		
	C. 35 / 2	G. Less: Payments			315,056	1,038,843	1,102,810	1,241,916	1,241,916	1,241,916	1,241,916		
	D. 5.5% / LD	H. Bal. End of Year			18,888,049	18,888,049	18,820,359	18,608,270	18,384,217	18,147,524	17,897,481		
21 .	A.2013- 9 / 2013	E. Bal. 1st of Year					5,324,787		5,305,704	5,245,914	5,182,752		
	B. 5324787	F. Plus: Interest				94,653	292,863	291,814	290,322	286,950	283,384		
	C. 35 / 2	G. Less: Payments				94,653	292,863	310,897	350,112	350,112	350,112		
	D. 5.5% / LD	H. Bal. End of Year				5,324,787	5,324,787	5,305,704	5,245,914	5,182,752	5,116,024		

03/11/2010		SGS Engineering, LLC		Determination of Debt & Debt Service RUS (After 6/83) - Form 325 H2										Empire Electric Assn., Inc. (Base)		Page							
A. = Note-Date of Note;		B. = Amount of Note;		C. = Amortization Period / Deferral Period								D. = Interest Rate / Loan Type											
				2010		2011		2012		2013		2014		2015		2016		2017		2018		2019	
22 .	A. 2014- 9 / 2014	E. Bal. 1st of Year												3,104,000		3,104,000		3,092,876		3,058,020		3,021,197	
	B. 3104000	F. Plus: Interest										58,890		170,720		170,108		169,240		167,273		165,193	
	C. 35 / 2	G. Less: Payments										58,890		170,720		181,232		204,096		204,096		204,096	
	D. 5.5% / LD	H. Bal. End of Year										3,104,000		3,104,000		3,092,876		3,058,020		3,021,197		2,982,294	
23 .	A. 2015- 9 / 2015	E. Bal. 1st of Year												70,034		3,768,960		3,768,960		3,755,453		3,713,135	
	B. 3768960	F. Plus: Interest												70,034		207,293		206,550		205,494		203,106	
	C. 35 / 2	G. Less: Payments												70,034		207,293		220,057		247,812		247,812	
	D. 5.5% / LD	H. Bal. End of Year												3,768,960		3,768,960		3,755,453		3,713,135		3,668,429	
24 .	A. 2016- 9 / 2016	E. Bal. 1st of Year														4,482,150		4,482,150		4,466,087		4,415,759	
	B. 4482150	F. Plus: Interest												81,974		246,518		245,635		244,380		244,380	
	C. 35 / 2	G. Less: Payments												81,974		246,518		261,698		294,708		294,708	
	D. 5.5% / LD	H. Bal. End of Year												4,482,150		4,482,150		4,466,087		4,415,759		4,415,759	
25 .	A. 2017- 9 / 2017	E. Bal. 1st of Year														5,246,366		5,246,366		5,246,366		5,227,564	
	B. 5246366	F. Plus: Interest														94,759		288,550		287,516		287,516	
	C. 35 / 2	G. Less: Payments														94,759		288,550		306,319		306,319	
	D. 5.5% / LD	H. Bal. End of Year														5,246,366		5,246,366		5,246,366		5,227,564	
26 .	A. 2018- 9 / 2018	E. Bal. 1st of Year																		108,434		333,550	
	B. 6064546	F. Plus: Interest																		108,434		333,550	
	C. 35 / 2	G. Less: Payments																		108,434		333,550	
	D. 5.5% / LD	H. Bal. End of Year																		6,064,546		6,064,546	
27 .	A. 2019- 9 / 2019	E. Bal. 1st of Year																				123,052	
	B. 6939787	F. Plus: Interest																				123,052	
	C. 35 / 2	G. Less: Payments																				6,939,787	
	D. 5.5% / LD	H. Bal. End of Year																				6,939,787	
28 .	Total Debt and Debt Serv. RUS - 6/83																						
	A. Debt - First of Year		22,323,204		35,462,831		39,973,079		58,267,112		62,849,436		65,067,864		67,745,630		71,028,430		74,975,483		79,627,788		
	B. New Funds -- Advanced		13,633,076		5,028,088		10,888,049		5,324,787		3,104,000		3,768,960		4,482,150		5,246,366		6,064,546		6,939,787		
	C. Interest Exp.		1,277,193		1,859,290		2,332,653		3,119,310		3,334,295		3,467,677		3,628,481		3,823,449		4,055,658		4,327,854		
	D. Debt Payment		1,770,642		2,377,130		2,926,669		3,861,773		4,219,867		4,558,871		4,827,831		5,122,762		5,467,899		5,817,077		
Program provided by National Rural Utilities Cooperative Finance Corporation - Compass Version - 3.0b																							

A. = Note-Date of Note;	B. = Amount of Note;					C. = Amortization Period / Deferral Period					D. = Interest Rate / Loan Type				
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019					
E. Debt - End of Year	35,462,831	39,973,079	58,267,112	52,849,436	65,067,864	67,745,630	71,026,430	74,975,483	79,627,768	85,078,352					

A. = Note-Date of Note;		B. = Amount of Note;		C. = Amortization Period / Deferral Period				D. = Amortization Type;				E. = Interest Rate / Loan Type			
		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019				
A. 9003-12 / 2009	F. Bal. 1st of Year	21,682	7,438												
B. 21682	G. Plus: Interest	952	162												
C. 2 / 0	H. Less: Discounts	21	3												
D. Level Debt	I. Less: Payments	15,175	7,597												
E. 5.80% / Fix	J. Bal. End of Year	7,438													
A. 9004-12 / 2009	F. Bal. 1st of Year	53,311	33,066	11,398											
B. 53311	G. Plus: Interest	3,139	1,716	293											
C. 3 / 0	H. Less: Discounts	58	31	6											
D. Level Debt	I. Less: Payments	23,326	23,353	11,685											
E. 6.85% / Fix	J. Bal. End of Year	33,066	11,398												
A. 9007-12 / 2009	F. Bal. 1st of Year	66,179	51,066	35,034	18,029										
B. 66179	G. Plus: Interest	3,599	2,680	1,707	674										
C. 4 / 0	H. Less: Discounts	76	56	36	14										
D. Level Debt	I. Less: Payments	18,636	18,656	18,676	18,689										
E. 5.94% / Fix	J. Bal. End of Year	51,066	35,034	18,029											
A. 9009-12 / 2009	F. Bal. 1st of Year	562,532	463,176	357,640	245,541	126,459									
B. 562532	G. Plus: Interest	31,964	25,784	19,221	12,248	4,842									
C. 5 / 0	H. Less: Discounts	658	531	396	252										
D. Level Debt	I. Less: Payments	130,662	130,789	130,924	131,068	131,311									
E. 6.08% / Fix	J. Bal. End of Year	463,176	357,640	245,541	126,469										
A. 9010-12 / 2009	F. Bal. 1st of Year	161,709	134,722	106,055	75,606	43,262	9,907								
B. 161709	G. Plus: Interest	9,225	7,545	5,763	3,868	1,857	135								
C. 5 / 0	H. Less: Discounts	189	155	118	80		3								
D. Level Debt	I. Less: Payments	36,023	36,057	36,094	36,132	36,212	9,039								
E. 6.08% / Fix	J. Bal. End of Year	134,722	106,055	75,606	43,262	8,907									
A. 9011-12 / 2009	F. Bal. 1st of Year	550,572	507,859	462,482	414,273	363,055	308,641	250,831	189,412	124,161	54,837				
B. 550572	G. Plus: Interest	32,619	29,955	27,123	24,114	20,918	17,522	13,913	10,081	6,008	1,896				
C. 10 / 0	H. Less: Discounts	668	614	556	495		359	285	206	124	33				
D. Level Debt	I. Less: Payments	74,664	74,718	74,776	74,937	75,332	74,973	75,047	75,126	75,208	56,700				
E. 7.00% / Fix	J. Bal. End of Year	507,859	462,482	414,273	363,055	308,641	250,831	189,412	124,161	54,837					

## Determination of Debt &amp; Debt Service CFC - RUS Form 325 I

Empire Electric Assn., Inc. (Base)

A. = Note-Date of Note;		B. = Amount of Note;		C. = Amortization Period / Deferral Period					D. = Amortization Type;					E. = Interest Rate / Loan Type				
		2010		2011	2012	2013	2014	2015	2016	2017	2018	2019						
A. 9141-12 / 2009	F. Bal. 1st of Year	798,214	779,512	759,682	738,654	716,359	694,780	671,536	646,500	619,533	590,486							
B. 798214	G. Plus: Interest	46,686	45,558	44,360	43,093	55,129	51,464	49,672	47,741	45,661	43,421							
C. 22 / 0	H. Less: Discounts	989	966	940	913		858	828	796	761	724							
D. Level Debt	I. Less: Payments	64,399	64,422	64,448	64,475	74,708	73,850	73,880	73,912	73,947	73,984							
E. 7.50% / Fix	J. Bal. End of Year	779,512	759,682	738,654	716,359	694,780	671,536	646,500	619,533	590,486	559,199							
A. 9015-12 / 2009	F. Bal. 1st of Year	2,418,713	2,253,730	2,080,422	1,898,374	1,707,147	1,505,276	1,295,276	1,073,637	840,820	596,263							
B. 2418718	G. Plus: Interest	116,696	108,376	99,636	90,457	80,813	70,694	60,045	48,867	37,127	24,796							
C. 11 / 0	H. Less: Discounts																	
D. Level Debt	I. Less: Payments	281,684	281,684	281,684	281,684	281,684	281,684	281,684	281,664	281,684	281,684							
E. 4.96% / Var	J. Bal. End of Year	2,253,730	2,080,422	1,898,374	1,707,147	1,506,276	1,295,276	1,073,637	840,820	596,263	339,375							
A. 9143-12 / 2009	F. Bal. 1st of Year	882,527	865,648	847,469	827,887	806,795	784,075	759,602	733,242	704,849	674,267							
B. 882527	G. Plus: Interest	65,721	64,421	63,018	61,568	59,880	58,127	56,240	54,207	52,018	49,658							
C. 22 / 0	H. Less: Discounts	1,096	1,074	1,050	1,025		968	936	904	867	828							
D. Level Debt	I. Less: Payments	81,504	81,526	81,550	81,575	82,600	81,632	81,664	81,696	81,733	81,772							
E. 7.50% / Fix	J. Bal. End of Year	865,648	847,469	827,887	806,795	784,075	759,602	733,242	704,849	674,267	641,325							
A. 9167-12 / 2009	F. Bal. 1st of Year	270,340	270,340	270,340	270,340	270,340	270,340	270,340	270,340	270,340	270,340							
B. 270340	G. Plus: Interest	13,247	13,247	13,247	13,247	13,247	13,247	13,247	13,247	13,247	13,247							
C. 0 / 0	H. Less: Discounts	338	338	338	338	338	338	338	338	338	338							
D. Balloon	I. Less: Payments	12,909	12,909	12,909	12,909	13,247	12,909	12,909	12,909	12,909	12,909							
E. 4.90% / Fix	J. Bal. End of Year	270,340	270,340	270,340	270,340	270,340	270,340	270,340	270,340	270,340	270,340							
A. 9188-12 / 2009	F. Bal. 1st of Year	277,917	260,409	260,409	260,409	260,409	260,409	260,409	260,409	260,409	260,409							
B. 260409	G. Plus: Interest	14,452	13,932	13,932	13,932	13,932	13,932	13,932	13,932	13,932	13,932							
C. 2 / 0	H. Less: Discounts	326	326	326	326	326	326	326	326	326	326							
D. Balloon	I. Less: Payments	13,606	13,606	13,606	13,606	13,606	13,606	13,606	13,606	13,606	13,606							

A. = Note-Date of Note;		B. = Amount of Note;		C. = Amortization Period / Deferral Period			D. = Amortization Type;			E. = Interest Rate / Loan Type			
		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019		
E. 5.35% / Fix	J. Bal. End of Year	260,409											
A. 9160-12 / 2009	F. Bal. 1st of Year	242,463	242,463	242,463									
B. 242463	G. Plus: Interest	13,335	13,335	13,335									
C. 3 / 0	H. Less: Discounts	303	303	303									
D. Balloon	I. Less: Payments	13,032	13,032	255,495									
E. 5.50% / Fix	J. Bal. End of Year	242,463	242,463										
A. 9161-12 / 2009	F. Bal. 1st of Year	229,266	229,266	229,266	229,266								
B. 229266	G. Plus: Interest	13,183	13,183	13,183	13,183								
C. 4 / 0	H. Less: Discounts	287	287	287	287								
D. Balloon	I. Less: Payments	12,896	12,896	12,896	242,162								
E. 5.75% / Fix	J. Bal. End of Year	229,266	229,266	229,266									
A. 9162-12 / 2009	F. Bal. 1st of Year	80,364	80,364	80,364	80,364	80,364	80,364						
B. 80364	G. Plus: Interest	4,621	4,621	4,621	4,621	4,621	4,621						
C. 6 / 0	H. Less: Discounts	100	100	100	100		100						
D. Balloon	I. Less: Payments	4,521	4,521	4,521	4,521	4,621	84,985						
E. 5.75% / Fix	J. Bal. End of Year	80,364	80,364	80,364	80,364	80,364							
A. 9017-12 / 2009	F. Bal. 1st of Year	2,535,920	2,376,385	2,205,469	2,022,362	1,826,193	1,616,031	1,390,878	1,149,564	891,243	614,389		
B. 2535920	G. Plus: Interest	172,149	160,768	148,577	135,515	121,522	106,531	90,470	73,263	54,830	35,081		
C. 11 / 0	H. Less: Discounts	3,095	2,892	2,672	2,437		1,916	1,628	1,318	986	630		
D. Level Debt	I. Less: Payments	328,589	328,792	329,012	329,247	331,684	329,768	330,056	330,366	330,698	331,054		
E. 6.95% / Fix	J. Bal. End of Year	2,376,385	2,205,469	2,022,362	1,826,193	1,616,031	1,390,878	1,149,564	891,243	614,389	317,788		
Total Debt and Debt Service CFC													
A. Debt - First of Year		9,412,123	8,555,444	7,688,084	6,820,696	5,939,984	5,269,414	4,638,463	4,062,755	3,450,946	2,800,582		
B. New Funds -- Advanced													
C. Interest Exp.		555,520	505,283	454,084	402,528	360,829	322,331	283,587	247,406	208,891	168,099		
D. Less Discounts		8,551	7,676	6,802	5,941		4,542	4,015	3,562	3,076	2,553		
E. Debt Payments		1,403,848	1,364,967	1,314,670	1,277,299	1,031,399	948,740	855,240	855,693	856,179	838,103		
F. Debt - End of Year		8,555,444	7,688,084	6,820,696	5,939,984	5,269,414	4,638,463	4,062,795	3,450,946	2,800,582	2,128,025		

## \*\* Previous Years \*\*

## \*\* Future Years \*\*

ITEM	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
1. A. Total Mwh Requirements	532,229	591,171	617,650	634,127	637,967	641,805	644,837	647,790	651,573	654,991	657,772	661,110	664,690
B. Cost per Mwh Purchased	52.88	59.45	61.12	61.12	64.17	67.38	70.75	74.29	78.01	81.91	86.00	90.30	94.82
B1. Flow Through Adj. per Mwh	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
C. Cost of Power	28,145,125	34,557,868	37,752,491	38,759,808	40,944,313	43,250,141	45,627,133	48,127,538	50,829,482	53,650,911	56,572,571	59,702,723	63,027,240
2. A. Consumer Accts. & Sales	1,438,164	1,477,629	1,646,501	1,690,515	1,713,306	1,736,097	1,759,307	1,782,203	1,805,725	1,828,517	1,851,935	1,875,667	1,899,399
B. Cost per Consumer Served	92.61	94.08	104.54	104.54	104.54	104.54	104.54	104.54	104.54	104.54	104.54	104.54	104.54
C. Average Nbr. of Consumers	15,529	15,706	15,749	16,170	16,388	16,606	16,828	17,047	17,272	17,490	17,714	17,941	18,168
3. A. Operating & Maint. Exp.	3,560,781	4,110,286	4,036,745	5,039,394	5,371,954	6,602,907	6,955,243	7,163,962	7,416,075	7,714,718	8,063,209	8,465,060	8,923,981
B. Ratio to Total Utility Plant	6.11	6.52	5.93	6.49	6.48	6.48	6.48	6.48	6.48	6.48	6.48	6.48	6.48
4. A. Admin. Gen. & Other Exp.	2,099,272	2,284,712	2,198,753	2,257,529	2,287,965	2,315,400	2,349,394	2,379,969	2,411,382	2,441,817	2,473,091	2,504,782	2,536,474
B. Ratio to Total Utility Plant	3.60	3.62	3.23	2.90	2.75	2.27	2.18	2.15	2.10	2.05	1.98	1.91	1.84
5. A. Deprec. & Amortiz. Exp.	1,568,809	1,645,359	1,719,016	2,146,408	2,288,054	2,612,349	2,962,418	3,051,317	3,158,699	3,285,898	3,434,330	3,605,489	3,800,955
B. Ratio to Total Utility Plant	2.69	2.61	2.52	2.76	2.76	2.76	2.76	2.76	2.76	2.76	2.76	2.76	2.76
6. A. Tax Expense	0	0	0	0	0	0	0	0	0	0	0	0	0
B. Ratio to Total Utility Plant	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
7. A. Discount Early Pay. Debt	0	0	0	0	0	0	0	0	0	0	0	0	0
8. A. Total Utility Plant / 1000	58,245	62,947	67,997	77,768	82,900	101,896	107,333	110,554	114,445	119,084	124,432	130,633	137,715

## Determination of CFC - Transactions - CFC Form 101 L

ITEM	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
1. Equity Investment in CFC (First of Year)										
A. Subscription CTC's	601,686	601,686	601,686	601,686	601,686	601,686	601,686	601,686	601,686	601,686
A1. Member Capital Securities-MCS's	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
B. Loan CTC's (Purch. prior 1983)	158,250	158,250	158,250	158,250	158,250	158,250	158,250	158,250	158,250	158,250
C. Loan CTC's (Purch. after 1983)	137,515	128,233	119,485	110,858	102,347	93,839	89,636	78,572	68,219	57,178
D. CFC Patronage Capital	242,664	287,065	301,519	311,350	319,246	325,835	326,644	323,160	317,392	311,892
E. Total Equity Investment	1,390,115	1,425,234	1,430,940	1,432,144	1,430,529	1,429,610	1,426,216	1,411,668	1,395,547	1,379,006
F. CFC Debt to Equity Ratio	6.15	5.14	4.13	3.90	3.49	3.04	2.65	2.25	1.82	1.38
G. Percentage Loan CTC's Required	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
2. Changes in Equity Investment in CFC										
A. Purchase of Loan CTC's	0	0	0	0	0	0	0	0	0	0
A1. Purchase of MCS's	0	0	0	0	0	0	0	0	0	0
B. Refund of Loan CTC's	9,282	8,748	8,627	8,511	8,508	4,203	11,064	10,353	11,041	11,776
C. Patronage Capital Accrual	52,380	47,522	42,570	37,542	35,098	30,427	26,968	23,407	19,617	15,606
D. Patronage Capital Rotation	7,979	33,068	32,739	30,646	27,509	29,618	30,452	29,175	25,117	23,044
E. Total Equity Changes	35,119	5,706	1,204	-1,615	-919	-3,394	-14,548	-16,121	-16,541	-19,214
3. Income from Investments in CFC										
A. Interest from Sub. CTC's	30,084	30,084	30,084	30,084	30,084	30,084	30,084	30,084	30,084	30,084
A1. Interest from MCS's	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500	7,500
B. Interest from Pre 1983 Loan CTC's	4,748	4,748	4,748	4,748	4,748	4,748	4,748	4,748	4,748	4,748
C. Patronage Capital Income	52,380	47,522	42,570	37,542	35,098	30,427	26,968	23,407	19,617	15,606
D. Total Income from CFC Equity	94,712	89,854	84,902	79,874	77,430	72,759	69,300	65,739	61,949	57,938

ITEM	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>I. Cash Flows from Operating Activities</b>										
Beginning Cash Flow										
Total Cash - Beginning of Year	\$ 3,517,721	\$ 6,567,902	\$ 5,867,956	\$ 5,676,904	\$ 5,619,313	\$ 5,791,169	\$ 5,878,788	\$ 6,032,522	\$ 6,183,929	\$ 6,342,797
<b>A. Depreciation Expense</b>										
	\$ 2,146,408	\$ 2,288,054	\$ 2,812,349	\$ 2,962,418	\$ 3,051,317	\$ 3,158,699	\$ 3,285,898	\$ 3,434,330	\$ 3,605,489	\$ 3,800,955
<b>B. Net Margins</b>										
	4,904,002	4,694,592	4,731,287	4,800,297	4,819,433	4,821,688	4,829,653	4,843,293	4,862,979	4,884,234
<b>C. Materials &amp; Supplies - Electric</b>										
	0	0	0	0	0	0	0	0	0	0
<b>D. Other Assets &amp; Debits</b>										
	-4,344,401	-4,314,454	-4,309,831	-4,396,896	-4,307,589	-4,300,809	-4,296,516	-4,294,232	-4,294,500	-4,292,562
<b>E. Other Liabilities &amp; Credits</b>										
	0	0	0	0	0	0	0	0	0	0
F. Net Cash Inflows - Oper. Activities	\$ 2,706,009	\$ 2,668,192	\$ 3,233,805	\$ 3,456,519	\$ 3,563,161	\$ 3,679,579	\$ 3,819,035	\$ 3,983,391	\$ 4,173,968	\$ 4,392,627
<b>II. Cash Flows from Investment Activities</b>										
<b>A. Depreciation Expense</b>										
	\$ -2,146,408	\$ -2,288,054	\$ -2,812,349	\$ -2,962,418	\$ -3,051,317	\$ -3,158,699	\$ -3,285,898	\$ -3,434,330	\$ -3,605,489	\$ -3,800,955
<b>B. Total Utility Plant</b>										
	-9,770,634	-5,132,088	-18,996,209	-5,437,273	-3,220,986	-3,890,625	-4,608,681	-5,377,959	-6,201,403	-7,082,118
<b>C. Accum. Provision for Deprec.</b>										
	1,696,408	1,820,054	2,325,629	2,456,229	2,524,881	2,611,205	2,716,504	2,842,161	2,989,633	3,160,465
<b>D. General Funds Excludable</b>										
	9,282	8,748	8,627	8,511	8,508	4,203	11,064	10,353	11,041	11,776
<b>E. Temporary Invest. - Non Cash</b>										
	0	0	0	0	0	0	0	0	0	0
<b>F. Notes Receivable - Net</b>										
	0	0	0	0	0	0	0	0	0	0
<b>G. Materials &amp; Supplies - Electric</b>										
	0	0	0	0	0	0	0	0	0	0
H. Net Cash Inflows - Inv. Activities	\$ -10,211,352	\$ -5,591,340	\$ -19,474,202	\$ -5,934,951	\$ -3,738,914	\$ -4,433,916	\$ -5,167,011	\$ -5,959,775	\$ -6,806,218	\$ -7,710,832
<b>III. Cash Flows from Financing Activities</b>										
<b>A. Net Margins</b>										
	\$ -4,904,002	\$ -4,694,592	\$ -4,731,287	\$ -4,800,997	\$ -4,819,433	\$ -4,821,688	\$ -4,829,653	\$ -4,843,293	\$ -4,862,979	\$ -4,884,234
<b>B. Memberships</b>										
	0	0	0	0	0	0	0	0	0	0
<b>C. Total Capital or Margins</b>										
	3,360,874	3,468,591	3,557,639	3,618,175	3,619,184	3,616,830	3,624,231	3,635,880	3,652,156	3,668,489
<b>D. Total Long Term Debt</b>										
	12,098,652	3,449,203	17,223,093	3,603,663	1,547,858	2,046,815	2,707,132	3,335,204	4,001,941	4,778,007
<b>E. Notes Payable - Net</b>										
	0	0	0	0	0	0	0	0	0	0
<b>F. Consumer Deposits</b>										
	0	0	0	0	0	0	0	0	0	0
G. Net Cash Inflows - Fin. Activities	\$ 10,555,524	\$ 2,223,202	\$ 16,049,445	\$ 2,420,841	\$ 347,609	\$ 841,957	\$ 1,501,710	\$ 2,127,791	\$ 2,791,118	\$ 3,562,262
<b>IV. Cash Flows from All Activities</b>										
	\$ 3,050,181	\$ -699,946	\$ -191,052	\$ -57,591	\$ 171,856	\$ 87,519	\$ 183,734	\$ 151,407	\$ 158,868	\$ 244,057
Total Cash - End of Year	\$ 6,567,902	\$ 5,867,956	\$ 5,676,904	\$ 5,619,313	\$ 5,791,169	\$ 5,878,788	\$ 6,032,522	\$ 6,183,929	\$ 6,342,797	\$ 6,586,954

ITEM	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
<b>A. LTD - RUS - Beginning of Year</b>										
1. Long Term Debt - 2%	0	0	0	0	0	0	0	0	0	0
2. Long Term Debt - 5%	679,482	495,186	301,501	97,949	0	0	0	0	0	0
3. Long Term Debt - (Post 6/83)	22,323,204	35,462,631	39,973,079	58,267,112	62,849,436	65,067,864	67,745,630	71,028,430	74,975,483	79,627,788
<b>Total LTD - RUS - B. of Year</b>	<b>23,002,686</b>	<b>35,958,017</b>	<b>40,274,580</b>	<b>58,365,061</b>	<b>62,849,436</b>	<b>65,067,864</b>	<b>67,745,630</b>	<b>71,028,430</b>	<b>74,975,483</b>	<b>79,627,788</b>
<b>B. Total Interest - RUS Debt</b>										
1. Long Term Debt - 2%	0	0	0	0	0	0	0	0	0	0
2. Long Term Debt - 5%	30,556	21,167	11,300	1,795	0	0	0	0	0	0
3. Long Term Debt - (Post 6/83)	1,277,193	1,659,290	2,332,653	3,119,310	3,334,295	3,467,677	3,628,481	3,823,449	4,055,658	4,327,854
<b>Total Interest - RUS Debt</b>	<b>1,307,749</b>	<b>1,880,457</b>	<b>2,343,953</b>	<b>3,121,105</b>	<b>3,334,295</b>	<b>3,467,677</b>	<b>3,628,481</b>	<b>3,823,449</b>	<b>4,055,658</b>	<b>4,327,854</b>
<b>C. Principal Payments - RUS Debt</b>										
1. Long Term Debt - 2%	0	0	0	0	0	0	0	0	0	0
2. Long Term Debt - 5%	184,296	193,685	203,552	97,949	0	0	0	0	0	0
3. Long Term Debt - (Post 6/83)	493,449	517,840	594,016	742,463	885,572	1,091,194	1,199,350	1,299,313	1,412,241	1,489,223
<b>Total Principal - RUS Debt</b>	<b>677,745</b>	<b>711,525</b>	<b>797,568</b>	<b>840,412</b>	<b>885,572</b>	<b>1,091,194</b>	<b>1,199,350</b>	<b>1,299,313</b>	<b>1,412,241</b>	<b>1,489,223</b>
<b>D. Advances - RUS Debt</b>										
3. LTD - RUS (Post 6/83)	13,633,076	5,028,088	18,888,049	5,324,787	3,104,000	3,768,960	4,482,150	5,246,365	6,064,546	6,939,787
<b>E. Changes in Long Term Debt - RUS</b>										
1. Long Term Debt - 2%	0	0	0	0	0	0	0	0	0	0
2. Long Term Debt - 5%	0	0	0	0	0	0	0	0	0	0
3. Long Term Debt - (Post 6/83)	0	0	0	0	0	0	0	0	0	0
<b>Total Changes LTD - Buy Out</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>F. Long Term Debt - RUS End of Year</b>										
1. Long Term Debt - 2%	0	0	0	0	0	0	0	0	0	0
2. Long Term Debt - 5%	495,186	301,501	97,949	0	0	0	0	0	0	0
3. Long Term Debt - (Post 6/83)	35,462,831	39,973,079	58,267,112	62,849,436	65,067,864	67,745,630	71,028,430	74,975,483	79,627,788	85,078,352
<b>Total LTD - RUS - End of Year</b>	<b>35,958,017</b>	<b>40,274,580</b>	<b>58,365,061</b>	<b>62,849,436</b>	<b>65,067,864</b>	<b>67,745,630</b>	<b>71,028,430</b>	<b>74,975,483</b>	<b>79,627,788</b>	<b>85,078,352</b>
<b>G. Long Term Debt - CFC - B. of Year</b>	<b>9,412,123</b>	<b>8,555,444</b>	<b>7,688,084</b>	<b>6,820,696</b>	<b>5,939,994</b>	<b>5,269,414</b>	<b>4,638,463</b>	<b>4,062,795</b>	<b>3,450,946</b>	<b>2,800,582</b>
<b>H. 1. Total Interest - CFC Debt</b>	<b>555,520</b>	<b>505,283</b>	<b>454,084</b>	<b>402,528</b>	<b>360,829</b>	<b>322,331</b>	<b>283,587</b>	<b>247,406</b>	<b>208,891</b>	<b>168,099</b>
<b>2. CFC Discount - Performance</b>	<b>-8,551</b>	<b>-7,676</b>	<b>-6,802</b>	<b>-5,941</b>	<b>0</b>	<b>-4,542</b>	<b>-4,015</b>	<b>-3,562</b>	<b>-3,076</b>	<b>-2,553</b>
<b>3. CFC Discount - Volume</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>4. CFC Discount - 100% Borrower</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Tot. Int. - CFC Debt Less Discounts</b>	<b>546,969</b>	<b>497,607</b>	<b>447,282</b>	<b>396,587</b>	<b>360,829</b>	<b>317,789</b>	<b>279,572</b>	<b>243,844</b>	<b>205,815</b>	<b>165,546</b>
<b>I. Principal Payments - CFC Debt</b>	<b>856,679</b>	<b>867,360</b>	<b>867,388</b>	<b>880,712</b>	<b>670,570</b>	<b>630,951</b>	<b>575,668</b>	<b>611,849</b>	<b>650,364</b>	<b>672,557</b>
<b>J. Advances - CFC Debt</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>K. Changes in LTD - CFC Buy Out</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>L. Long Term Debt - CFC End of Year</b>	<b>8,555,444</b>	<b>7,688,084</b>	<b>6,820,696</b>	<b>5,939,984</b>	<b>5,269,414</b>	<b>4,638,463</b>	<b>4,062,795</b>	<b>3,450,946</b>	<b>2,800,582</b>	<b>2,128,025</b>
<b>M. Changes in Balance Sheet - Buy Out</b>										
1. Unamortized Gain - Beg. of Year	0	0	0	0	0	0	0	0	0	0
2. Amortized Gain on Prepayment	0	0	0	0	0	0	0	0	0	0
3. Unamortized Gain - End of Year	0	0	0	0	0	0	0	0	0	0
4. General Funds Used in Buy Out	0	0	0	0	0	0	0	0	0	0
<b>N. Other Interest Expense</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>O. Tot. Interest Exp. Less Discounts</b>	<b>1,854,718</b>	<b>2,378,064</b>	<b>2,791,235</b>	<b>3,517,692</b>	<b>3,695,124</b>	<b>3,785,466</b>	<b>3,908,053</b>	<b>4,067,293</b>	<b>4,261,473</b>	<b>4,453,400</b>

# INDUSTRIAL COST OF PURCHASED POWER AND REVENUE ANALYSIS

Year	Average Industrial Cost of Purchased Power	Industrial MWH Sold	Industrial Cost of Purchased Power	3 TIER Industrial Requirement	Projected O&M Costs	Industrial Revenue	Average Industrial Revenue/ kWh Sold
2009	\$ 0.0581692	394,303	\$ 22,936,296	\$ 144,110	\$ 1,426,412	\$ 24,506,818	\$ 0.0621522
2010	\$ 0.0581692	398,004	\$ 23,151,580	\$ 166,049	\$ 1,426,412	\$ 24,744,041	\$ 0.0621703
2011	\$ 0.0610777	398,894	\$ 24,363,528	\$ 211,064	\$ 1,426,412	\$ 26,001,004	\$ 0.0651827
2012	\$ 0.0641316	399,783	\$ 25,638,723	\$ 248,302	\$ 1,426,412	\$ 27,313,437	\$ 0.0683207
2013	\$ 0.0673382	400,672	\$ 26,980,531	\$ 313,759	\$ 1,426,412	\$ 28,720,702	\$ 0.0716813
2014	\$ 0.0707051	400,672	\$ 28,329,554	\$ 329,783	\$ 1,426,412	\$ 30,085,749	\$ 0.0750882
2015	\$ 0.0742404	400,672	\$ 29,746,050	\$ 337,963	\$ 1,426,412	\$ 31,510,425	\$ 0.0786439
2016	\$ 0.0779524	400,672	\$ 31,233,344	\$ 349,050	\$ 1,426,412	\$ 33,008,806	\$ 0.0823836
2017	\$ 0.0818500	400,672	\$ 32,795,003	\$ 363,442	\$ 1,426,412	\$ 34,584,857	\$ 0.0863171
2018	\$ 0.0859425	400,672	\$ 34,434,753	\$ 380,983	\$ 1,426,412	\$ 36,242,148	\$ 0.0904534
2019	\$ 0.0902396	400,672	\$ 36,156,481	\$ 401,927	\$ 1,426,412	\$ 37,984,820	\$ 0.0948028

Year	Total Interest on Long-Term Debt	% of Interest on LTD to Industrials	3 TIER Industrial Requirement
2009	\$ 1,599,792	9.008%	\$ 144,110
2010	\$ 1,843,343	9.008%	\$ 166,049
2011	\$ 2,343,064	9.008%	\$ 211,064
2012	\$ 2,756,444	9.008%	\$ 248,302
2013	\$ 3,483,102	9.008%	\$ 313,759
2014	\$ 3,660,980	9.008%	\$ 329,783
2015	\$ 3,751,795	9.008%	\$ 337,963
2016	\$ 3,874,875	9.008%	\$ 349,050
2017	\$ 4,034,636	9.008%	\$ 363,442
2018	\$ 4,229,364	9.008%	\$ 380,983
2019	\$ 4,461,867	9.008%	\$ 401,927

# Exhibit 6

**EMPIRE ELECTRIC ASSOCIATION, INC.**

**INDEPENDENT AUDITOR'S REPORT  
AND  
FINANCIAL STATEMENTS**

*December 31, 2009 and 2008*

# **EMPIRE ELECTRIC ASSOCIATION, INC.**

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## **EMPIRE ELECTRIC ASSOCIATION, INC.**

### **BOARD OF DIRECTORS AND GENERAL MANAGER**

NAME	TITLE	ADDRESS
William C. Bauer	President	Cortez, Colorado
David Sitton	Vice-President	Cortez, Colorado
Jim Lawrence	Secretary-Treasurer	Cortez, Colorado
Sue McWilliams		Dolores, Colorado
Jerry Fetterman		Yellow Jacket, Colorado
John Porter		Cortez, Colorado
William Mollenkopf		Dolores, Colorado
Neal E. Stephens	General Manager	Cortez, Colorado

# SCHMIDT & COMPANY LLC

*Devoted to Audits of Rural Utility Industries  
45 Years of Utility Accounting Experience*

Board of Directors  
Empire Electric Association, Inc.  
Cortez, Colorado

## INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying balance sheets of Empire Electric Association, Inc. as of December 31, 2009 and 2008, and the related statements of revenue and patronage capital and cash flows for the years then ended. These financial statements are the responsibility of Empire Electric Association, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1, the valuation of the subsidiary companies and the assets underlying those valuations is a significant estimate. Adverse changes in the ultimate value of those subsidiaries and assets could result in future additional charges to income and a reduction of the value of those assets on the balance sheet.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Empire Electric Association, Inc. as of December 31, 2009 and 2008, and the results of operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2010 on our consideration of Empire Electric Association, Inc.'s internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Schmidt & Company, LLC*

SCHMIDT & COMPANY, LLC  
April 20, 2010

# EMPIRE ELECTRIC ASSOCIATION, INC.

## COMPARATIVE BALANCE SHEETS - DECEMBER 31

ASSETS (Notes 1 & 2)		
	<u>2009</u>	<u>2008</u>
<b>UTILITY PLANT (Note 3)</b>		
Electric plant	\$ 67,874,779.66	\$ 62,784,408.07
Depreciation	23,484,728.81	22,729,809.28
Depreciated Value	<u>44,390,050.85</u>	<u>40,054,598.79</u>
<b>INVESTMENTS (Note 4)</b>	<u>35,403,968.83</u>	<u>31,429,817.00</u>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	2,984,541.72	2,300,649.89
Held-to-maturity securities (Note 5)	100,000.00	100,000.00
Receivables (Less provision for uncollectible accounts of \$90,975.64 in current period and \$44,302.29 in prior period)	4,399,105.11	3,436,787.71
Materials	535,875.03	536,183.82
Prepayments	81,348.20	78,037.02
Total	<u>8,100,870.06</u>	<u>6,451,658.44</u>
<b>DEFERRED DEBITS (Note 6)</b>	<u>183,901.09</u>	<u>48,304.05</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 88,078,790.83</u></u>	<u><u>\$ 77,984,378.28</u></u>
<b>LIABILITIES AND CAPITAL</b>		
	<u>2009</u>	<u>2008</u>
<b>CAPITAL EQUITIES (Note 7)</b>		
Patronage capital	\$ 47,682,400.52	\$ 42,225,015.55
Other equities	473,576.35	505,865.51
Total	<u>48,155,976.87</u>	<u>42,730,881.06</u>
<b>LONG-TERM LIABILITIES (Note 8)</b>	<u>29,965,289.77</u>	<u>25,918,652.88</u>
<b>OTHER LONG-TERM OBLIGATIONS (Note 10)</b>	<u>2,327,361.26</u>	<u>2,331,527.74</u>
<b>CURRENT LIABILITIES</b>		
Current maturities of long-term debt	1,182,000.00	899,400.00
Accounts payable	3,864,603.62	3,576,698.66
Accrued expenses	963,892.39	930,180.78
Accrued taxes	571,096.70	560,448.45
Customer deposits	483,466.90	412,745.87
Total	<u>7,065,059.61</u>	<u>6,379,473.76</u>
<b>DEFERRED CREDITS (Note 11)</b>	<u>565,103.32</u>	<u>623,842.84</u>
<b>COMMITMENTS/RELATED PARTY TRANSACTIONS (Note 13)</b>		
<b>TOTAL LIABILITIES AND CAPITAL</b>	<u><u>\$ 88,078,790.83</u></u>	<u><u>\$ 77,984,378.28</u></u>

*The accompanying notes are an integral part of these statements.*

# EMPIRE ELECTRIC ASSOCIATION, INC.

## STATEMENTS OF REVENUE AND PATRONAGE CAPITAL FOR THE YEARS ENDED - DECEMBER 31

	<u>2009</u>	<u>2008</u>
<b>OPERATING REVENUE</b>		
Electric energy revenue	\$ 50,104,597.17	\$ 46,472,016.07
Miscellaneous electric revenue	376,290.87	406,627.56
Total Operating Revenue	<u>50,480,888.04</u>	<u>46,878,643.63</u>
<b>OPERATING REVENUE DEDUCTIONS</b>		
Cost of power purchased	37,752,672.38	34,557,881.95
Operating expenses - transmission	565,405.31	646,057.99
Operating expenses - distribution	2,149,306.76	2,081,894.10
Maintenance of distribution plant	1,322,033.31	1,382,333.59
Accounting and collection expenses	1,176,408.54	1,087,856.72
Other customer expenses	470,091.91	389,771.97
Administrative and general	2,204,890.98	2,295,567.67
Depreciation	1,719,016.14	1,645,358.88
Total Operating Revenue Deductions	<u>47,359,825.33</u>	<u>44,086,722.87</u>
Electric Operating Margin	3,121,062.71	2,791,920.76
Less: Interest on long-term debt	<u>1,599,792.01</u>	<u>1,530,882.85</u>
Operating margin before capital credits	1,521,270.70	1,261,037.91
G & T and other capital credits	<u>4,509,853.17</u>	<u>4,326,009.08</u>
Operating Margin	<u>6,031,123.87</u>	<u>5,587,046.99</u>
Interest revenue	163,017.85	221,159.89
Other revenue	<u>(32,806.04)</u>	<u>(24,156.52)</u>
Nonoperating Margin	<u>130,211.81</u>	<u>197,003.37</u>
<b>NET MARGIN</b>	6,161,335.68	5,784,050.36
Patronage Capital - Beginning of Year	42,719,626.68	37,018,502.87
Subtotal	48,880,962.36	42,802,553.23
Retirement of capital credits	<u>(735,502.27)</u>	<u>(82,926.55)</u>
<b>PATRONAGE CAPITAL - END OF YEAR (Note 7)</b>	<u><u>\$ 48,145,460.09</u></u>	<u><u>\$ 42,719,626.68</u></u>

*The accompanying notes are an integral part of these statements.*

# EMPIRE ELECTRIC ASSOCIATION, INC.

## STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED - DECEMBER 31

	<u>2009</u>	<u>2008</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net margin	\$ 6,161,335.68	\$ 5,784,050.36
Adjustments to reconcile net margin to net cash provided by operating activities:		
Depreciation	1,719,016.14	1,645,358.88
Depreciation charged to clearing	127,174.08	108,519.57
Interest earned on cushion of credit	(30,197.79)	(61,103.95)
Postretirement benefits accrued	4,708.66	(24,285.76)
Patronage capital credits assigned by associated organizations	(4,509,853.17)	(4,326,009.08)
Decrease (Increase) In:		
Receivables (net)	(958,750.26)	(730,407.17)
Prepaid expenses	(3,311.18)	(3,491.04)
Interest receivable	(3,567.14)	667.18
Deferred debits	(135,597.04)	(47,741.05)
Increase (Decrease) In:		
Accounts payable	287,904.96	525,220.05
Accrued liabilities	44,359.86	274,532.48
Customer deposits	70,721.03	54,273.91
Deferred credits	(58,739.52)	96,092.76
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES</b>	<u>2,715,204.31</u>	<u>3,295,677.14</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment in plant (net)	(6,181,642.28)	(5,650,357.16)
Decrease (Increase) in materials inventory	308.79	(319.27)
Decrease (Increase) in other investments	(81,484.88)	206,221.67
Payments received from associated organizations	717,402.82	736,921.07
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES</b>	<u>(5,545,415.55)</u>	<u>(4,707,533.69)</u>

*The accompanying notes are an integral part of these statements.*

# EMPIRE ELECTRIC ASSOCIATION, INC.

## STATEMENTS OF CASH FLOWS (CONTINUED) FOR THE YEARS ENDED - DECEMBER 31

	<u>2009</u>	<u>2008</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Long-term borrowing	5,000,000.00	3,980,000.00
Principal payments on long-term debt	(1,203,313.58)	(1,113,589.11)
Cushion of credit applied	562,748.26	317,296.16
Paid into cushion of credit	-	(1,000,000.00)
Postretirement benefits payments	(109,091.74)	(145,049.75)
Increase (Decrease) in other capital	(737.60)	(4,453.02)
Capital refunds to members	(735,502.27)	(82,926.55)
<b>NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES</b>	<u>3,514,103.07</u>	<u>1,951,277.73</u>
 <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	 683,891.83	 539,421.18
 <b>CASH AND CASH EQUIVALENTS BEGINNING OF YEAR</b>	 2,300,649.89	 1,761,228.71
<b>END OF YEAR</b>	<u><u>\$ 2,984,541.72</u></u>	<u><u>\$ 2,300,649.89</u></u>
 <b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>		
Cash paid during the year for interest	\$ 1,608,994.48	\$ 1,544,968.00
Cash paid during the year for income taxes	\$ -	\$ -

*The accompanying notes are an integral part of these statements.*

# **EMPIRE ELECTRIC ASSOCIATION, INC.**

## **NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2009 AND 2008**

### **(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

#### **UTILITY PLANT**

The Association employs the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission and the work order procedures suggested by the Rural Development Utilities Programs (RUS).

#### **INVESTMENTS**

Investments are generally included in the financial statements at cost. Equities in other organizations are included at face value of related certificates.

#### **CASH AND CASH EQUIVALENTS**

For purposes of the statement of cash flows, the Association considers all highly liquid debt instruments purchased with maturity of three months or less to be cash equivalents.

#### **ACCOUNTS RECEIVABLE**

Provision is made for accounts deemed uncollectible.

#### **CONCENTRATION OF CREDIT RISK**

Empire Electric Association, Inc. is an electric distribution system. The Association grants credit to customers, substantially all are local residents.

#### **ACCOUNTING ESTIMATES**

The presentation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include the valuation of the Association's investment in subsidiary companies and the value of the assets owned by the subsidiaries. Changes in the value of subsidiary assets may affect the Association's future earnings.

#### **MATERIALS AND SUPPLIES**

Materials and supplies are included in the financial statements at average cost. Usable material from plant retirements is returned to inventory at current average cost. A physical inventory is taken at least once each year.

#### **DEFERRED DEBITS**

Amortization of deferred charges is authorized by the Board of Directors, subject to approval by RUS.

## **ELECTRIC ENERGY SALES**

The Association recognizes sales of electricity on a turn-around billing procedure, and the procedure followed records part of sales following the month of use of the electricity by the customer. The Association does not record unbilled revenue as of the audit date. The estimated unbilled revenue amounted to approximately \$1,847,079 and \$1,716,074 in 2009 and 2008, respectively.

## **INCOME TAX STATUS**

The Association has been granted exemption from federal income tax under Section 501(c)(12) of the Internal Revenue Code. Net margins are allocated to patrons.

The Cooperative evaluates the components of the annual test for maintenance of its tax-exempt status under section 501(c)(12) of the Internal Revenue Code of 1986, as amended. This process includes an analysis of whether the position the Cooperative takes with regard to a particular item of income would meet the definition of an uncertain tax position under Financial Accounting Interpretation No. 48, Accounting for Uncertainty in Income Taxes.

### **(2) ASSETS PLEDGED:**

Substantially all assets are pledged as security for long-term debt to the RUS and the National Rural Utilities Cooperative Finance Corporation (CFC).

### **(3) ELECTRIC PLANT AND DEPRECIATION PROCEDURES:**

Listed below are the major classes of the electric plant as of December 31:

	<u>2009</u>	<u>2008</u>
Intangible plant	\$ 439,485.92	\$ 439,485.92
Production plant	77,139.22	77,139.22
Transmission plant	3,528,213.45	3,426,877.15
Distribution plant	45,817,953.57	43,907,825.57
General plant	10,218,080.30	9,894,710.67
Electric plant in service	<u>60,080,872.46</u>	<u>57,746,038.53</u>
Construction work in progress	<u>7,793,907.20</u>	<u>5,038,369.54</u>
Total	<u>\$67,874,779.66</u>	<u>\$62,784,408.07</u>

Provision has been made for depreciation of transmission plant and distribution plant on a straight-line composite rate of 2.75% and 2.85%, respectively. Intangible plant is depreciated at 2.75%. General plant depreciation rates have been applied on a straight-line unit method basis at rates which will depreciate the assets over their estimated useful lives.

#### (4) INVESTMENTS AND OTHER PROPERTY:

At December 31, investments and other property included:

	<u>2009</u>	<u>2008</u>
Equities in other organizations	\$ 34,970,789.91	\$ 30,996,854.68
Certificate of deposit	-	100,000.00
Deferred compensation	414,378.92	314,162.32
Water taps	12,800.00	12,800.00
Non-utility property	6,000.00	6,000.00
Total	<u>\$ 35,403,968.83</u>	<u>\$ 31,429,817.00</u>

Equities and investments in other organizations were as follows:

	<u>2009</u>	<u>2008</u>
National Rural Utilities Cooperative Finance Corporation Herndon, Virginia		
Membership	\$ 1,000.00	\$ 1,000.00
Capital term certificates	876,689.95	884,033.39
Member capital securities	250,000.00	-
Capital credits	242,663.70	216,390.69
PathNet Fiber Network		
Capital contribution	2,645,676.49	2,706,848.17
FastTrack Communications, Inc.		
Investments	842,175.00	842,175.00
Federated Rural Electric Insurance Exchange Lenexa, Kansas		
Capital credits	154,492.00	145,354.00
Tri-State G & T Association, Inc. Denver, Colorado		
Capital credits	29,604,887.38	25,989,918.00
Western United Electric Supply Corporation Denver, Colorado		
Capital credits	352,990.56	211,020.60
Other organizations	214.83	114.83
Total	<u>\$ 34,970,789.91</u>	<u>\$ 30,996,854.68</u>

**(5) HELD-TO-MATURITY SECURITIES:**

Held-to-maturity securities (stated at cost which approximates market), at December 31, 2009 consisted of a certificate of deposit earning 1.83% maturing April 2, 2010.

**(6) DEFERRED DEBITS:**

At December 31, deferred debits were as follows:

	<u>2009</u>	<u>2008</u>
Long-term work plan	\$ 39,153.73	\$ 48,304.05
Miscellaneous	144,747.36	-
Total	<u>\$ 183,901.09</u>	<u>\$ 48,304.05</u>

**(7) PATRONAGE CAPITAL:**

At December 31, patronage capital consisted of:

	<u>2009</u>	<u>2008</u>
Assignable	\$ 6,161,335.68	\$ 5,784,050.36
Assigned to date	57,393,691.27	51,609,640.91
Subtotal	63,555,026.95	57,393,691.27
Less: Retirements to date	15,409,566.86	14,674,064.59
Subtotal	48,145,460.09	42,719,626.68
Less: Capital gain	463,059.57	494,611.13
Total	<u>\$ 47,682,400.52</u>	<u>\$ 42,225,015.55</u>

Other equities at December 31, included:

	<u>2009</u>	<u>2008</u>
Donated capital	\$ 10,516.78	\$ 11,254.38
Capital credits - gain	463,059.57	494,611.13
Total	<u>\$ 473,576.35</u>	<u>\$ 505,865.51</u>

Under the provisions of the mortgage agreement, until the equities and margins equal or exceed thirty percent of the total assets of the Association, the return to patrons of capital contributed by them is limited generally to twenty-five percent of the patronage capital or margins received by the Association in the prior calendar year. During the year ended December 31, 2009, total refunds of capital to patrons amounted to approximately \$735,502.27. The equities and margins of the Association represent 54.70% of the total assets at balance sheet date.

**(8) LONG-TERM LIABILITIES:**

Substantially all assets of the Association are mortgaged to the United States. Lien accommodations have been executed with CFC. Long-term debt is represented by mortgage notes payable to the United States of America, RUS, the Federal Financing Bank (FFB) and CFC. Following is a summary of outstanding long-term debt as of December 31:

	<u>2009</u>	<u>2008</u>
RUS, 2.99% to 5.50% notes maturing through 2042	\$ 13,866,871.44	\$ 9,103,076.50
RUS, Cushion of credit	(588,038.11)	(1,120,588.58)
FFB, 4.645% to 6.331% notes maturing through 2034	8,456,333.36	8,623,211.58
CFC, 4.65% to 7.00% notes maturing through 2030	9,412,123.08	10,212,353.38
Subtotal	<u>31,147,289.77</u>	<u>26,818,052.88</u>
Less: Current maturities	<u>1,182,000.00</u>	<u>899,400.00</u>
Total	<u>\$ 29,965,289.77</u>	<u>\$ 25,918,652.88</u>

There were unadvanced loan funds in the amount of \$700,000 available to the Association on loan commitments with RUS as of the audit date.

Principal and interest installments on the above notes due during the next year amount to approximately \$2,600,000. Advance payments of \$588,038.11 may be applied against RUS debt service. As of December 31, 2009, annual maturities of long-term debt outstanding for the next five years are as follows:

	RUS	CFC	FFB	Total
Year Ending December 31	Principal Payment	Principal Payment	Principal Payment	Principal Payment
2010	183,700	825,900	172,400	1,182,000
2011	191,300	866,500	185,900	1,243,700
2012	199,100	872,600	199,600	1,271,300
2013	207,300	887,600	207,000	1,301,900
2014	215,900	981,700	218,500	1,416,100

**(9) LINE OF CREDIT:**

The Association has a \$7,900,000 line of credit available with CFC. As of the audit date no funds were borrowed on the line of credit.

**(10) OTHER LONG-TERM OBLIGATIONS:**

At December 31, other long-term obligations consisted of the following:

	<u>2009</u>	<u>2008</u>
Accumulated postretirement benefits obligation	\$ 1,917,372.38	\$ 2,017,365.42
Deferred compensation	409,988.88	314,162.32
Total	<u>\$ 2,327,361.26</u>	<u>\$ 2,331,527.74</u>

The Association provides certain health care benefits for retired employees. The benefits cover employees and directors retiring at age 65. Early retirements must be approved by petition to the Board. Retirees with less than 12 years of service may remain in the plan subject to approval by petition to the Board, but receive no Association contribution. Disabled employees may remain in the medical plan but contribute 75 percent of the premium. The Association pays 25 percent of the medical insurance premiums for retirees and eligible dependents during the lifetime of the retiree. The Association has elected to pay as you go and not fund this benefit.

The postretirement benefit plan of the Association is subject to the recognition and disclosure provisions of FASB No. 158, Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans. The Association implemented the requirements of FASB No. 158 during the 2008 fiscal year.

The accumulated benefit obligation and the net periodic postretirement benefit costs for the years ended December 31, were comprised of:

	<u>2009</u>	<u>2008</u>
Benefit obligation - December 31	\$ 1,917,372.38	\$ 2,017,365.42
Fair value of plan assets	-	-
Postretirement benefit obligation	<u>\$ (1,917,372.38)</u>	<u>\$ (2,017,365.42)</u>
Accrued benefit cost recorded in the balance sheet	<u>\$ 1,917,372.38</u>	<u>\$ 2,017,365.42</u>
Discount rate	6.20%	7.00%
Benefit costs	\$ 49,315.50	\$ 47,403.71
Benefits paid	\$ 38,123.87	\$ 160,665.40

**(11) DEFERRED CREDITS:**

At December 31, deferred credits were as follows:

	<u>2009</u>	<u>2008</u>
Customers' advances for construction	\$ 163,353.23	\$ 163,069.78
Deferred property tax - KM	252,153.35	252,153.35
Customers' prepayments	86,436.20	147,467.67
Deferred revenue - Pathnet	54,586.97	56,649.56
Miscellaneous	8,573.57	4,502.48
Total	<u>\$ 565,103.32</u>	<u>\$ 623,842.84</u>

**(12) PENSION PLAN:**

The Association has a contributory 401(k) plan in lieu of a pension plan for its employees. Total 401(k) costs for the years ended December 31, 2009 and 2008 amounted to approximately \$459,000 and \$442,000, respectively.

**(13) COMMITMENTS AND RELATED PARTY TRANSACTIONS:**

Under its wholesale power agreement, the Association is committed to purchase its electric power and energy requirements from Tri-State. The rates paid for such purchases are subject to review by the Federal Energy Regulatory Commission. Following is a summary of transactions and balances with the affiliate for the years ended December 31:

	<u>2009</u>	<u>2008</u>
Cost of power purchased from Tri-State	\$ 37,752,672	\$ 34,557,882
Due to Tri-State (included in the accompanying balance sheets)	3,492,862	3,310,498
Capital allocated by Tri-State	4,273,700	4,228,465
Capital refunded by Tri-State	658,631	646,500
Accumulated capital allocated by Tri-State	29,604,887	25,989,818

# SCHMIDT & COMPANY LLC

*Devoted to Audits of Rural Utility Industries  
45 Years of Utility Accounting Experience*

Board of Directors  
Empire Electric Association, Inc.  
Cortez, Colorado

## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

We have audited the financial statements of Empire Electric Association, Inc. as of and for the years ended December 31, 2009 and 2008, and have issued our report thereon dated April 20, 2010. We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **COMPLIANCE**

As part of obtaining reasonable assurance about whether Empire Electric Association, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

### **INTERNAL CONTROL OVER FINANCIAL REPORTING**

In planning and performing our audit, we considered Empire Electric Association, Inc. internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Empire Electric Association, Inc. internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Empire Electric Association, Inc. internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Empire Electric Association, Inc. ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Empire Electric Association, Inc. financial statements that is more than inconsequential will not be prevented or detected by Empire Electric Association, Inc. internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Empire Electric Association, Inc. internal control. Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

This report is intended for the information of the Board of Directors, management, the RUS, and supplemental lenders. However, this report is a matter of public record and its distribution is not limited.

*Schmidt & Company, LLC*

SCHMIDT & COMPANY, LLC

April 20, 2010

# SCHMIDT & COMPANY LLC

*Devoted to Audits of Rural Utility Industries  
45 Years of Utility Accounting Experience*

Board of Directors  
Empire Electric Association, Inc.  
Cortez, Colorado

We have audited the financial statements of Empire Electric Association, Inc. for the year ended December 31, 2009, and have issued our report thereon dated April 20, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and 7 CFR part 1773, Policy on Audits of Rural Development Utilities Programs (RUS) Borrowers. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit of the financial statements of Empire Electric Association, Inc. for the year ended December 31, 2009, we considered its internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting that we consider to be material weaknesses.

Section 1773.33 requires comments on specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, and other additional matters. We have grouped our comments accordingly. In addition to obtaining reasonable assurance about whether the financial statements are free from material misstatements, we performed tests of specific aspects of the internal control over financial reporting, of compliance with specific RUS loan and security instrument provisions, and of additional matters. The specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, and additional matters tested include, among other things, the accounting procedures and records, materials control, compliance with specific RUS loan and security instrument provisions set forth in 7 CFR 1773.33 (e)(1), related party transactions, depreciation rates, and a schedule of deferred debits and deferred credits, and a schedule of investments, upon which we express an opinion. In addition, our audit of the financial statements also included the procedures specified in 7 CFR 1773.38-45. Our objective was not to provide an opinion on these specific aspects of the internal control over

financial reporting, compliance with specific RUS loan and security instrument provisions, or additional matters, and accordingly, we express no opinion thereon.

No reports other than our independent auditor's report and our independent auditor's report on compliance and on internal control over financial reporting, all dated April 20, 2010 or summary of recommendations related to our audit have been furnished to management.

Our comments on specific aspects of the internal control over financial reporting, compliance with specific RUS loan and security instrument provisions, and other additional matters as required by 7 CFR 1773.33 are presented below.

#### **COMMENTS ON CERTAIN SPECIFIC ASPECTS OF THE INTERNAL CONTROL OVER FINANCIAL REPORTING**

We noted no matters regarding Empire Electric Association, Inc.'s internal control over financial reporting and its operation that we consider to be a material weakness as previously defined with respect to:

- The accounting procedures and records;
- The process for accumulating and recording labor, material, and overhead costs, and the distribution of these costs to construction, retirement and maintenance or other expense accounts; and
- The materials control.

#### **COMMENTS ON COMPLIANCE WITH SPECIFIC RUS LOAN AND SECURITY INSTRUMENT PROVISIONS**

We have performed the procedures enumerated below with respect to compliance with certain provisions of laws, regulations and contracts. The procedures we performed are summarized as follows:

Procedures performed with respect to the requirement for a borrower to obtain written approval of the mortgagee to enter into any contract for the operation or maintenance of property or for the use of mortgaged property by others for the year ended December 31, 2009:

We noted no new contracts during the audit period.

Procedure performed with respect to the requirement to submit RUS Form 7 to the RUS:

- Agreed amounts reported in Form 7 to Empire Electric Association, Inc.'s records.

The results of our tests indicate that, with respect to the items tested, Empire Electric Association, Inc. complied, in all material respects, with the specific RUS loan and security instrument provisions referred to below. The specific provisions tested, as well as any exceptions noted, include the requirements that:

- The borrower has obtained written approval of the RUS to enter into any contract for the operation or maintenance of property, or for the use of mortgaged property by others as defined in §1773.33 (e)(1)(i); and

- The borrower has submitted its Form 7 to the RUS and the Form 7, Financial and Statistical Report, as of December 31, 2009, represented by the borrower as having been submitted to RUS is in agreement with Empire Electric Association, Inc.'s audited records in all material respects, and appears reasonable based upon the audit procedures performed.

## COMMENTS ON OTHER ADDITIONAL MATTERS

In connection with our audit of the financial statements of Empire Electric Association, Inc., nothing came to our attention that caused us to believe that Empire Electric Association, Inc. failed to comply with respect to:

- The reconciliation of continuing property records to the controlling general ledger plant accounts addressed at 7 CFR 1773.33 (c)(1);
- The clearing of the construction accounts and the accrual of depreciation on completed construction addressed at 7 CFR 1773.33 (c)(2);
- The retirement of plant addressed at 7 CFR 1773.33 (c)(3) and (4);
- Approval of the sale, lease or transfer of capital assets and disposition of proceeds for the sale or lease of plant, material, or scrap addressed at 7 CFR 1773.33 (c)(5);
- The disclosure of material related party transactions, in accordance with Statement of Financial Accounting Standards No. 57, Related Party Transactions, for the year ended December 31, 2009, in the financial statements referenced in the first paragraph of this report addressed at 7 CFR 1773.33 (f);
- The depreciation rates addressed at 7 CFR 1773.33 (g);
- The detailed schedule of deferred debits and deferred credits; and
- The detailed schedule of investments.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The detailed schedule of deferred debits and deferred credits required by 7 CFR 1773.33 (h), the detailed schedule of investments required by 7 CFR 1773.33 (i), and provided below, are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

## DEFERRED DEBITS

At December 31, deferred items were as follows:

	<u>2009</u>
Long-term work plan	\$ 39,153.73
Miscellaneous	144,747.36
Total	<u>\$ 183,901.09</u>

## DEFERRED CREDITS

At December 31, deferred credits were as follows:

	<u>2009</u>
Customers' advances for construction	\$ 163,353.23
Deferred property tax - SWEPI	252,153.35
Customers' prepayments	86,436.20
Deferred revenue - Pathnet	54,586.97
Miscellaneous	8,573.57
Total	<u>\$ 565,103.32</u>

## INVESTMENT IN AFFILIATED COMPANIES

	<u>PathNet</u>	<u>Fast Track Communications</u>
Original investment	\$ 2,780,558.54	\$ 2,136,102.98
Investment advances through the year ending March 31, 2003	278,025.79	-
Book value of investment March 31, 2003	<u>3,058,584.33</u>	<u>2,136,102.98</u>
Amortization of investment during the year ending March 31, 2004	(61,170.68)	-
Book value of investments March 31, 2004	<u>2,997,413.65</u>	<u>2,136,102.98</u>
Amortization of investment during the year ending March 31, 2005	(61,171.68)	-
Book value of investments March 31, 2005	<u>2,936,241.97</u>	<u>2,136,102.98</u>
Amortization of investment during the year ending March 31, 2006	(61,171.68)	(1,249,602.98)
Book value of investments March 31, 2006	<u>2,875,070.29</u>	<u>886,500.00</u>
Amortization of investment for nine months ending December 31, 2006	(45,878.76)	(44,325.00)
Book value of investments December 31, 2006	<u>2,829,191.53</u>	<u>842,175.00</u>
Amortization of investment during the year ending December 31, 2007	(61,171.68)	-
Book value of investments December 31, 2007	<u>2,768,019.85</u>	<u>842,175.00</u>
Amortization of investment during the year ending December 31, 2008	(61,171.68)	-
Book value of investments December 31, 2008	<u>2,706,848.17</u>	<u>842,175.00</u>
Amortization of investment during the year ending December 31, 2009	(61,171.68)	-
Book value of investments December 31, 2009	<u>\$ 2,645,676.49</u>	<u>\$ 842,175.00</u>

PathNet is a joint venture with Tri-State G & T, the Project Manager and four cooperatives in Southwestern Colorado. The joint venture operates a carrier quality, long haul, fiber optic telecommunication system between Albuquerque, New Mexico and Grand Junction, Colorado. The Association owns 6.25% of PathNet. This investment is accounted for on the cost basis. The Association is convinced the investment is not at risk in terms of a loss of the investment.

FastTrack Communications is a Colorado based telecommunications company doing business in Colorado, New Mexico, and Utah. Under terms of the bylaws of FastTrack, the Association has a 23.75% ownership interest and one seat on the Board of Directors. This investment is accounted for on the cost basis.

This report is intended solely for the information and use of the Board of Directors, management, and the RUS and supplemental lenders and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Schmidt & Company, LLC*

SCHMIDT & COMPANY, LLC

April 20, 2010