

EXHIBIT "A"
TO
APPLICATION OF DIXIE ESCALANTE RURAL ASSOCIATION FOR
APPROVAL OF ACQUISITION OF ELECTRIC UTILITY
PLANT AND EQUIPMENT AND ADDITION
TO CERTIFICATE OF CONVENIENCE AND PUBLIC NECESSITY

AGREEMENT FOR PURCHASE AND SALE OF ELECTRICITY
DISTRIBUTION SYSTEM

**AGREEMENT FOR PURCHASE AND SALE
OF ELECTRICITY DISTRIBUTION SYSTEM**

And Associated Facilities

Between

FLOWELL ELECTRIC ASSOCIATION, INC.

As Seller

AND

DIXIE-ESCALANTE RURAL ELECTRIC ASSOCIATION

As Buyer

Dated: October 7, 2020

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE 1. DEFINITIONS.....	1
1.1 Certain Defined Terms.	1
1.2 Index of Other Defined Terms.....	6
1.3 Certain Interpretive Matters.....	6
ARTICLE 2. TERMS OF THE TRANSACTION	7
2.1 Purchase Price.....	7
2.2 Purchased Assets	7
2.3 Excluded Assets.....	7
2.4 Assumed Liabilities	7
2.5 Excluded Liabilities	8
2.6 Meter Reading	8
ARTICLE 3. CLOSING	9
3.1 Closing Date	9
3.2 Closing Deliveries by Seller	9
3.3 Assumption Document	10
3.4 Form of Instruments	10
3.5 Certificates; Documents.....	10
3.6 Risk of Loss	10
ARTICLE 4. REPRESENTATIONS AND WARRANTIES OF SELLER.....	11
4.1 Power and Authority	11
4.2 Authority and Enforceability	11
4.3 No Breach or Conflict.....	11
4.4 Approvals.....	12
4.5 Title to Purchased Assets.....	12
4.6 No Undisclosed Liabilities	12
4.7 Litigation.....	12
4.8 Related Agreements.....	13
ARTICLE 5. REPRESENTATIONS AND WARRANTIES OF BUYER.....	13
5.1 Organization and Corporate Power	13
5.2 Authority and Enforceability	13
5.3 No Breach or Conflict.....	14
5.4 Approvals.....	14
5.5 Litigation.....	14
5.6 Disclaimer of Certain Implied Warranties.....	14
5.7 Financing	15
ARTICLE 6. COVENANTS OF EACH PARTY	15
6.1 Efforts to Close.....	15
6.2 Further Assurances	16

6.3	Expenses	16
6.4	Preservation of Confidentiality	16
6.5	Collection of Accounts Receivable; Purchase of Certain Accounts Post Closing	17
ARTICLE 7. ADDITIONAL COVENANTS OF SELLER.....		17
7.1	Access	17
7.2	Customer Information.....	17
7.3	Conduct Pending Closing	18
7.4	Payment of Outstanding Debt in Ordinary Course.....	19
ARTICLE 8. ADDITIONAL COVENANTS OF BUYER.....		19
8.1	Acquired Customer Rates and Fees; Policies	19
8.2	Conduct Pending Closing	19
8.3	Conduct Following Closing.....	19
ARTICLE 9. BUYER'S CONDITIONS TO CLOSING		20
9.1	Performance of Agreement; Cross Default	20
9.2	Accuracy of Representations and Warranties	20
9.3	Consent of Deseret Power; Representation on Deseret Power Governing Board	20
9.4	Officers' Certificate	21
9.5	Approvals; Acceptance of Initial Rates to System Customers	21
9.6	No Restraint	21
9.7	Modification of Deseret Wholesale Supply Agreement.....	22
9.8	Bill of Sale; Special Warranty Deed; Assignment of Right-of-Way	22
9.9	Assignment of Indemnification and Other Rights	22
9.10	Release of Seller Liens	22
9.11	Receipt of Other Documents	22
ARTICLE 10. SELLER'S CONDITIONS TO CLOSING		23
10.1	Performance of Agreement.....	23
10.2	Accuracy of Representations and Warranties	23
10.3	Officers' Certificate	23
10.4	Approvals.....	23
10.5	No Restraint.....	23
10.6	Assumption Document	24
10.7	Mortgagee Approval; Release of Liabilities.....	24
10.8	Receipt of Other Documents	24
ARTICLE 11. TERMINATION.....		25
11.1	Termination.....	25
11.2	Effect of Termination	25
ARTICLE 12. SURVIVAL AND REMEDIES; INDEMNIFICATION		26
12.1	Survival.....	26
12.2	Exclusive Remedy	26
12.3	Indemnity by Seller.....	26
12.4	Indemnity by Buyer	27

12.5	Further Qualifications Respecting Indemnification.....	27
12.6	Procedures Respecting Third Party Claims	28
12.7	Contract Damages.....	28
ARTICLE 13. GENERAL PROVISIONS		29
13.1	Entirety of Agreement; Amendments.....	29
13.2	Successors and Assigns	29
13.3	Notices	29
13.4	No Attorneys' Fees.....	30
13.5	Severability	30
13.6	Counterparts.....	30
13.7	Captions and Paragraph Headings	31
13.8	Waiver.....	31
13.9	Governing Law	31
13.10	Time Is of the Essence	31

SCHEDULES

Schedule 2.3	Excluded Assets
Schedule 4.4	Seller Approvals
Schedule 4.7	Litigation
Schedule 5.4	Buyer Approvals

EXHIBITS

Exhibit A.	Description of Flowell Service Area
Exhibit B.	Distribution and Transmission Rights-of-Way
Exhibit C.	Inventory of Purchased Assets
Exhibit D.	Purchased Real Property
Exhibit D-1.	System Indebtedness
Exhibit E.	Form of Bill of Sale
Exhibit F.	Form of Special Warranty Deed
Exhibit G.	Form of Assignment of Right-of-Way/Transmission Line Conveyance
Exhibit H.	Form of Assignment of Rights (Contracts)
Exhibit I.	Form of Assumption Document
Exhibit J.	Related Agreements

**AGREEMENT FOR PURCHASE AND SALE
OF ELECTRICITY DISTRIBUTION SYSTEM
And Associated Facilities**

THIS AGREEMENT FOR PURCHASE AND SALE OF ELECTRICITY DISTRIBUTION SYSTEM AND ASSOCIATED FACILITIES (this "Agreement") is made and entered into as of the 7th day of October, 2020 between FLOWELL ELECTRIC ASSOCIATION, INC., a Utah non-profit corporation, ("Seller") and DIXIE-ESCALANTE RURAL ELECTRIC ASSOCIATION, a Utah non-profit corporation ("Buyer").

A. Seller owns an electric distribution system for delivery of electric power and energy to certain residents within its certificated service area and surrounding locations (as more fully described in the words and the drawings attached hereto as Exhibit A), together with certain rights-of-way, transmission and transformation facilities, (the "Seller System" or the "System").

B. Pursuant to a Letter of Intent dated as of January 6, 1999, Buyer and Seller have for a number of years contemplated and worked toward an eventual transaction by which Buyer will acquire substantially all of the utility plant, equipment, and other used and useful assets of Seller and thereafter provide electric service to customers located on the acquired System.

C. Buyer now desires to purchase from Seller, and Seller desires to sell to Buyer, the System together with related assets upon the terms and subject to the conditions of this Agreement.

NOW, THEREFORE, in consideration of the foregoing recitals and the agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, do hereby agree as follows:

**ARTICLE 1.
DEFINITIONS**

1.1 Certain Defined Terms. For purposes of this Agreement, the following terms shall have the following meanings:

(a) "Rights-of-Way" shall mean those easement(s) and right(s)-of-way more particularly described in Exhibit B hereto, including without limitation permits and/or rights-of-way granted by the Bureau of Land Management, Utah Department of Transportation, and/or Utah State School and Institutional Trust Lands Administration, PacifiCorp (or Rocky Mountain Power), the City of Fillmore, Utah, or other towns and cities in the state of Utah.

(b) "Transmission Line" shall mean and include all transmission line facilities (including all easements, poles, wire, structures, insulators, and hardware) and associated facilities.

(c) "Affiliate" of a specified Person shall mean any corporation, partnership, sole proprietorship or other Person which directly or indirectly through one or more intermediaries

controls, is controlled by or is under common control with the Person specified, with "control" meaning the ability to direct or cause the direction of the management and policies of a Person.

(d) "Authorized Officer" shall mean, as to either Party hereto, such Party's chief executive officer, president, chief financial officer, or treasurer, in each case, acting in his or her capacity as such.

(e) "Business Day" shall mean any day other than Saturday, Sunday and any day that is a legal holiday or a day on which banking institutions in the State of Utah are authorized by law or governmental action to close.

(f) "Distribution ROW's" shall mean all easements, rights, privileges, property or other interests in any real property granted to Seller or otherwise owned by Seller, for easements, rights-of-way, licenses, permitted uses, or fee title used or useful for the current or future operation and/or maintenance of the System.

(g) "Escrow Agent" shall mean any authorized title company located in the State of Utah which the parties hereto designate in writing to act as escrow agent and/or closing officer for purposes of funds placed into escrow as contemplated hereunder.

(h) "Excluded Assets" shall have the meaning set forth in Section 2.3 below.

(i) "Governmental Body" shall mean any federal, state, regional, local or other government; any governmental, regulatory or administrative agency, commission, body, interlocal agency or other authority having jurisdiction to exercise any administrative, executive, judicial, legislative, police, regulatory or taxing authority or power affecting the Purchased Assets; and any court or governmental tribunal.

(j) "Knowledge" of a party shall mean the extent of the actual knowledge of any Person who serves as of the date hereof or as of the Closing as a duly elected or appointed officer of such party or serves as an executive officer of such party.

(k) "Laws" shall mean all, court decisions, case law, statutes, rules, regulations, ordinances, orders, decrees, and codes of Governmental Bodies.

(l) "Lien" shall mean any mortgage, deed of trust, pledge, hypothecation, security interest, encumbrance, levy, lien, or charge of any kind, whether voluntarily incurred or arising by operation of law or otherwise.

(m) "Material Adverse Effect" (x) when used with respect to the all or any portion of the Purchased Assets, shall mean a quantifiable material adverse economic effect on all or such portion of the Purchased Assets and on the operation thereof and (y) when used with respect to an entity, such as Seller or Buyer, means a quantifiable material adverse economic effect on the business, condition (financial or otherwise) and results of operations of such entity taken as a whole (including any subsidiaries of such entity) or on the ability of such entity to consummate the transactions contemplated hereby.

(n) "Permit" shall mean permits, registrations, licenses, authorizations and other consents or approvals or entitlements issued by any Governmental Bodies.

(o) "Permitted Lien" shall mean (i) the Assumed Liabilities, (ii) mechanic's, material men's, workmen's, repairmen's and similar Liens arising in the ordinary course of business, either for amounts arising for work and/or services occurring before the Closing Date and not yet due and payable as of the Closing Date or for amounts being contested in good faith through appropriate proceedings (subject in all events to Seller's indemnification pursuant to Section 12.3) , (iii) Liens for taxes not yet due and payable or for taxes being contested in good faith through appropriate proceedings, (iv) statutory Liens arising under workers' compensation legislation, unemployment insurance laws or similar laws or to secure other public or statutory obligations (but Seller shall indemnify and hold Buyer harmless for losses or damages arising on account of any known failure of such Seller to comply with such laws), (v) such state of facts as an accurate survey would show, provided, that such state of facts, in the aggregate do not have a Material Adverse Effect on the System and without limiting any indemnification by Seller set forth pursuant to Section 12.3 below, (vi) easements, covenants, rights of way, encumbrances and other restrictions and irregularities to title existing as of the date of this Agreement which in the aggregate, do not have a Material Adverse Effect on the System and which have been recorded in the real estate records of the county in which real property is located, but without limiting any indemnification by Seller set forth pursuant to Section 12.3 below; (vii) rights reserved to or vested in any Governmental Body, by the terms of any franchise, grant, license or provision of Law, to purchase, condemn, appropriate or recapture or designate a purchaser of the real property, (viii) rights reserved to or vested in any Governmental Body to control or regulate the use of the real property or to use the real property in any manner, in each case as may be set forth in any zoning and land use regulation; (ix) other non-monetary Liens individually, or in the aggregate, which do not interfere with or impair, in any material respect, the present operation of the System but without limiting any indemnification by either Seller set forth pursuant to Section 12.3 below; and (x) such liens or encumbrances, if any, disclosed in writing to Buyer and appearing as exception(s) to any polic(ies) of title insurance delivered pursuant to Section 3.2(d) hereunder (other than any pre-printed or standard exceptions appearing in any such polic(ies) and excluding any such exceptions which Buyer identifies in writing to Seller prior to Closing as posing unacceptable liens or encumbrances).

(p) "Person" shall mean any individual, sole proprietorship, corporation (including any non-profit corporation), general or limited partnership, limited liability company, joint venture, estate, trust, association, organization, labor union, or other entity or Governmental Body.

(q) "Purchased Assets" shall mean and include any and all of Seller's right, title and interest in and to the properties, goods, assets and rights of any kind, whether tangible or intangible, real or personal, constituting any portion of the System as an operating unit, including without limitation, all of Seller's right, title and interest in:

- (i) the assets identified or otherwise listed on Exhibit C;
- (ii) any Transmission Line(s);

(iii) all electrical Substation Facilities, consisting of structures within the substation property, electric utility poles, attachments, conductors, equipment, step down transformers, regulators, current transformers, voltage transformers, fault relays, circuit breakers, insulators, arrestors, wire, conductors, busses, switches, grounding and hardware and any other switch yard facilities including all land the stations utilize located near those locations identified in Exhibit "C" and Exhibit "D", (which land is included in the Purchased Real Property) including the underlying property interests;

(iv) Any and all switchyard facilities consisting of structures within any electrical distribution, transmission, and/or transformation substation, switchyard, including without limitation any step down transformer(s), voltage transformers, reclosers with relays, insulators, arrestors, wire, busses, switches, capacitors, grounding and hardware, connected with the switchyard and/or substation, whether configured as part of an operating unit or independent, spare(s), salvage equipment, etc.;

(v) the office and warehouse facility located at approximately 495 N. 3200 W. Fillmore Utah, including underlying real property;

(vi) all controls and relays associated with any substation and/or switchyard;

(vii) all existing substation/switchyard metering and protective equipment;

(viii) all electrical distribution system facilities (including all easements, whether recorded or unrecorded, arising by agreement, through prescriptive rights, or otherwise by law), including without limitation the Distribution ROW's, any and all rights of way, structures, poles, wires, transformers, conductors, arrestors, switches, meters, metering equipment, hardware, sectionalizers, reclosers, pedestals, primary and secondary voltage equipment installed overhead or underground used by or within any area served by Seller, (whether served as part of Seller's certificated service area, by contract or arrangement with any municipality or other governmental authority, or otherwise), and any other associated facilities as they currently exist as of the Closing hereunder, utilized, used, or useful for the operation and maintenance of the System as an operating unit;

(ix) the laydown or storage yard located in Flowell, Utah and used primarily for the storage and/or other similar uses in conjunction with electric utility plant and equipment, inventory, or associated goods, including property rights to the real property the yard utilizes for such purpose(s), and materials, supplies, and spares associated with the System that are currently located within the yard.

(x) all electric meters and metering supplies in stock (which include the items listed on Exhibit C);

(xi) all service vehicles, titled and untitled trucks, cars, tractors, or other equipment, excepting and solely excluding those vehicles retained by Seller which are specifically identified on Exhibit "Schedule 2.3" hereto;

(xii) all amounts held by Seller as of the Closing Date as a customer security deposit, a customer prepay balance (or any pre-paid balance amount), credit balance(s) held by or owed to any customer of either Seller, and any and all other balances held in trust for any customer of either Seller on account of payments, deposits, performance security, estimated charges, or similar amounts;

(xiii) all contract rights, warranty claims, choses in action, and intangible assets of Seller except and solely to the extent retained by Seller as specifically identified in Exhibit "Schedule 2.3" hereto; and

(xiv) the Purchased Real Property;

(xv) all cash and cash equivalents of Seller on hand and on deposit on the Closing Date with any financial institution;

(xvi) all securities and any other equity or debt interests or investments in any Person owned by Seller as of the Closing Date; and

(xvii) all accounts and notes receivable, deposits and prepaid expenses outstanding as of and/or arising after the Closing Date, subject to the terms of Section 6.5(b) below;

Provided, that the Purchased Assets shall include all such assets described above in this definition which may be acquired by, and shall not include such assets disposed of by Seller prior to and/or after the Closing Date (but only if such acquisition/disposition is in the ordinary course of business and is otherwise in accordance herewith); and provided, further, that the Purchased Assets shall not include any Excluded Assets.

(r) "Purchased Real Property" shall mean all of Seller's right, title, and interest in and to any real property described in any of the Purchased Assets, together with real property described on Exhibit D.

(s) "Seller Indebtedness" shall mean and include any and all current and future outstanding obligation(s) of Seller for borrowed money, whether presently due or to become due hereafter.

(t) "System Customers" shall mean all electric customers, regardless of class of service, residing in or receiving electric power and energy or related ancillary service(s) in any portion of Seller's certificated service area, and shall include all customers and/or persons receiving electric service from the System at the time of Closing, or receiving electric service after Closing which would have received such service through any portion of the System had Seller continued to operate the System.

(u) "System Indebtedness" shall mean any and all indebtedness, liabilities, or obligations arising in the ordinary course of business prior to Closing to any creditor, bondholder, or to any other person disclosed in writing by Seller to Buyer prior to Closing and holding any claim under any express, written lien, note, contract, or other obligation for borrowed money or other

obligation arising by or through Seller and related in any way to any portion of the System, , including without limitation, the indebtedness listed on Exhibit “D-1” hereto.

(v) “Termination Date” shall be December 31, [2021] or such later date as the Parties hereto may agree in writing.

1.2 Index of Other Defined Terms

In addition to those terms defined above, the following terms shall have the respective meanings given thereto in the Sections indicated below:

<u>Defined Term</u>	<u>Section</u>
Agreement	Preamble
Anticipated Wholesale Rate	9.7
Approvals	9.4
Assumed Contracts	2.4(a)
Assumed Liabilities	2.4
Assumption Document	3.3
Bill of Sale	3.2(a)
Buyer	Preamble
Claim Notice	12.6
Closing	3.1
Closing Date	3.1
Confidential Information	6.4
Deseret Power	9.7
Deseret Generation Contract	9.7
Excluded Assets	2.3
Escrow Instructions	2.1(b)
Excluded Liabilities	2.5
Indemnatee	12.5
Indemnified Person	12.3(a)
Indemnitor	12.5(a)
Losses	12.3(a)
Purchase Price	2.1(a)
Related Agreements	4.8
Seller(s)	Preamble
Special Warranty Deed	3.2(b)
Systems	Recitals
Third Party Claims	12.5(a)

1.3 Certain Interpretive Matters

(a) In this Agreement, unless the context otherwise requires, the singular shall include the plural, the masculine shall include the feminine and neuter, and vice versa. The terms “includes” and “including” shall not be limiting whether or not followed by the words “without limitation.”

References to a Section, Article, Exhibit or Schedule shall mean a Section, Article, Exhibit or Schedule of this Agreement, and reference to a given agreement or instrument shall be a reference to that agreement or instrument as modified, amended, supplemented and restated through the date as of which such reference is made. References to Laws shall be deemed references to such Laws as they may be amended from time to time.

(b) This Agreement and any documents or instruments delivered pursuant hereto shall be construed without regard to the identity of the person who drafted the various provisions of the same. Each and every provision of this Agreement and such other documents and instruments shall be construed as though the parties participated equally in the drafting of the same. Consequently, the parties acknowledge and agree that any rule of construction that a document is to be construed against the drafting party shall not be applicable either to this Agreement or such other documents and instruments.

(c) Wherever the consent or approval of any party is required under this Agreement, such consent or approval shall not be unreasonably withheld, unless such consent or approval is to be given by such party at the sole or absolute discretion of such party or is otherwise similarly qualified.

ARTICLE 2. TERMS OF THE TRANSACTION

2.1 Purchase Price. As consideration for the purchase and sale of the Purchased Assets, except as adjusted or modified pursuant to the express terms of this Agreement, Buyer shall pay to Seller an amount in cash equal to TEN dollars (\$10.00) (the "Purchase Price") receipt and sufficiency is hereby acknowledged by Seller.

2.2 Purchased Assets

On the terms and subject to the conditions contained in this Agreement, at the Closing Buyer shall purchase, and Seller shall sell, convey, assign, transfer and deliver to Buyer the Purchased Assets, but excluding all Excluded Assets.

2.3 Excluded Assets

The Purchased Assets shall not include any of the following assets (the "Excluded Assets"): any items listed on Schedule 2.3 provided, that to the extent of any ambiguity or uncertainty concerning any asset, good, chose in action, account, property, or interest of Seller used primarily in connection with the ownership, operation, or maintenance of any portion of the System, then unless expressly excluded as an Excluded Asset on Schedule 2.3., any and all such items shall be deemed to be included in the Purchased Assets.

2.4 Assumed Liabilities

Subject to the terms and conditions set forth in this Agreement, and without limiting in any way either: the Disclaimer of Certain Implied Warranties set forth in Section 5.4; or the indemnification by Seller set forth in Section 12.3 below, Buyer shall assume, pay, discharge and

perform as and when due, the following obligations and liabilities of Seller (the “Assumed Liabilities”), provided that, unless expressly and specifically enumerated below, no obligation, debt, liability, or similar undertaking of either Seller shall be deemed to be among the Assumed Liabilities:

(a) liabilities and obligations of Seller, if any, arising out of the operation, repair, expansion, and maintenance of the System which are incurred pursuant to written agreement(s) for necessary maintenance of the Systems (together, the “Assumed Contracts”);

(b) all System Indebtedness;

(c) liabilities related to receiving and holding as security for customer accounts any security deposits transferred by either Seller to Buyer pursuant to Section 6.6 (a);

(d) liabilities or obligations related to the operation of the System that are incurred or required to be performed prior to the Closing Date, including without limitation, the use and payment for all wholesale power received by Seller prior to the Closing Date; and

(e) any obligation, policy, undertaking, or provision for return of capital patronage whether currently declared, allocated, or to become allocated or accruing hereafter to any of Seller’s members, patrons, or customers arising from, accruing, or otherwise related to any of Seller’s operations, sales, business, or activities prior to Closing, *provided however*, that any remaining (unpaid) capital patronage (allocated or unallocated) arising or related to Seller’s operations prior to Closing shall be subject, from and after Closing, to the policies, procedures, rotation(s), retention(s) and practices established from time to time by the governing board of Buyer.

2.5 Excluded Liabilities

The parties agree that Buyer shall not assume or become obligated with respect to any of the following obligations or liabilities of Seller (collectively, “Excluded Liabilities”), all of which shall remain the sole responsibility of, and be discharged and/or performed as and when due by, Seller:

(a) liabilities or obligations associated with or arising from the Excluded Assets, and Seller’s obligations under the Related Agreements (if any);

(b) all Seller Indebtedness other than the System Indebtedness;

(c) liabilities for payment or other obligations arising from an employment agreement between Seller and its Chief Executive Officer other than obligations for the following (which shall be assumed by Seller post-Closing): (i) payments to be made in the ordinary course for salary and compensation through a period ending no later than six (6) months after Closing; and (ii) payments that become due and owing from Seller under such employment agreement upon retirement of the Chief Executive Officer no later than six (6) months after Closing to be paid out of cash on hand of Seller transferred to Buyer as of the Closing Date.

(d) liabilities or obligations of Seller that are incurred after the Closing Date.

2.6 Meter Reading

Seller retains the right to payment from Seller's customers for electric services rendered by Seller prior to the Closing Date (but all cash, receivables, and other securities or accounts held at Closing shall be transferred as part of the Purchased Assets). On the Closing Date (or on date(s) near the Closing Date as otherwise agreed between the Parties), Buyer and Seller shall jointly read the meters for each of Seller's customers. Thereafter, Buyer shall be authorized to send final billings to Seller's customers based on such readings, directing payment to be made to Buyer on account of such readings, and Buyer shall be entitled to receive all customer payments for services actually provided by Seller prior to the Closing Date. Buyer and Seller shall jointly coordinate this final meter reading with their wholesale power supplier so as to facilitate an orderly conversion of relevant metering information to effect as nearly as possible a "seamless" change for purpose of any invoice prepared and submitted by such wholesale power supplier(s) serving power requirements of customers within the System.

ARTICLE 3. CLOSING

3.1 Closing Date

Subject to the terms and conditions hereof, the consummation of the transactions contemplated hereby (the "Closing") shall be deemed to occur on January 1, 2021 provided all of the conditions set forth in Article 9 and Article 10 hereof have been satisfied or waived on or before such date, or otherwise at such other place or time as the parties may agree in writing, but in no event later than the Termination Date. The date on which the Closing actually occurs is referred to herein as the "Closing Date." The Closing shall be effective for all other purposes as to the System (and the Purchased Assets and Assumed Liabilities related thereto) at 11:59 p.m. Mountain Time on the Closing Date or at such other time as the parties hereto may mutually designate in writing.

3.2 Closing Deliveries by Seller

To effect the sale and transfer referred to in Article 2 hereof, Seller will, at the Closing, execute and deliver or cause to be executed and delivered to Buyer:

(a) one or more Bills of Sale, each in the form attached hereto as Exhibit E, conveying in the aggregate all of the personal property included in the Purchased Assets (the "Bill of Sale");

(b) one or more Special Warranty Deeds, each in the form attached hereto as Exhibit F, conveying in the aggregate all of the Purchased Real Property included in the Purchased Assets (the "Special Warranty Deed");

(c) an Assignment of Right-of-Way, Special Warranty Deed and Bill of Sale, in substantially the form attached hereto as Exhibit G, in recordable form, pursuant to which Seller will grant, convey, and assign to Buyer any Rights-of-Way and/or Transmission Line (if any) included in the Purchased Assets (the "Transmission Line Conveyance");

(d) one or more Owner's Polic(ies) of Title Insurance in form and substance reasonably acceptable to Buyer, in an amount not to exceed the Purchase Price, covering all: (i) Purchased Real Property; and (ii) all Transmission Line(s) and/or transmission line easements. Buyer will be responsible to pay upon Closing, one half of the cost of such Title Insurance as an addition to the amount provided in paragraph 2.1 with the remainder of such cost being borne by Seller.

(e) one or more Assignment of Rights, in substantially the form attached hereto as Exhibit H, pursuant to which Seller assigns to Buyer rights under contracts, agreements, and/or rights to other claims, including without limit claims identified in writing and included in the Purchased Assets; (the "Assignment of Rights");

(f) an itemized list of all customer security deposit amounts, pre-pay credits, and any other credit balance amounts, the account they are held for, the date such deposit was received by Seller, and the terms and conditions of refunds due and/or which will become due. Seller shall transfer to Buyer all such amounts held as security deposits or customer credits, together with amounts held as contributions in aid of construction and provide an itemized list of all such amounts, the account they are held for, the date such deposit was received by Seller, terms and conditions of refunds due and/or which will become due, copies of all contracts or documents pertaining to the amount, and the amount of accrued interest if any;

(g) to the extent permitted by applicable Law, a list of Seller's customers served by the System containing such information as Seller has accumulated in the course of operating the System, without including any requirement that Seller gather any additional information; and

(h) such other instruments as shall be reasonably requested by Buyer to vest in Buyer title in and to the Purchased Assets free and clear from any and all liens or encumbrances (except Permitted Liens) in accordance with the provisions hereof.

3.3 Assumption Document

Upon the terms and subject to the conditions contained herein, at the Closing, Buyer shall deliver to Seller an instrument of assumption substantially in the form attached hereto as Exhibit I, evidencing Buyer's assumption of the Assumed Liabilities (the "Assumption Document").

3.4 Form of Instruments

To the extent that a form of any document to be delivered hereunder is not attached as an Exhibit hereto, such documents shall be in form and substance, and shall be executed and delivered in a manner, reasonably satisfactory to Buyer.

3.5 Certificates; Documents

Seller and Buyer shall deliver or cause to be delivered the certificates, documents, and evidence of satisfaction of conditions and other matters described in Article 9 and Article 10.

3.6 Risk of Loss

From the date hereof through the Closing Date, all risk of loss or damage to the property included in the Purchased Assets shall be borne by Seller, and thereafter shall be borne by Buyer.

If any portion of the Purchased Assets is destroyed or damaged by fire or any other cause on or prior to the Closing Date, other than use, wear or loss in the ordinary course of business, the Seller shall give written notice to Buyer as soon as practicable after, but in any event within five (5) days of, discovery of such damage or destruction, a good faith estimate of: (a) the amount of insurance, if any, covering such Purchased Assets; and (b) the amount, if any, which Seller is otherwise entitled to receive as a consequence. In the event of such damage or destruction, Buyer shall accept the Purchased Assets in their destroyed or damaged condition and shall be entitled to the proceeds of any insurance or other proceeds payable with respect to such damaged or destroyed Purchased Assets. Notwithstanding the foregoing, if such damage or destruction has a Material Adverse Effect on the System, then Buyer shall have the option, which shall be exercised by written notice to Seller within ten (10) days after receipt of Seller's notice or if there is not ten (10) days prior to the Closing Date, as soon as practicable prior to the Closing Date, of (a) accepting such Purchased Assets in their destroyed or damaged condition in which event Buyer shall be entitled to the proceeds of any insurance or other proceeds payable with respect to such loss or (b) terminating this Agreement in accordance with Section 11.1. If Buyer accepts such Purchased Assets, then after the Closing, any insurance or other proceeds paid or otherwise received on account of such damage shall belong, and shall be assigned to, Buyer without any reduction in the Purchase Price; otherwise, such insurance proceeds shall belong to Seller.

ARTICLE 4. REPRESENTATIONS AND WARRANTIES OF SELLER

Seller hereby represents and warrants to Buyer, as follows, except as set forth in Schedules numbered in relation to the Sections set forth below.

4.1 Power and Authority

Seller has the power and authority to enter into this Agreement and to carry out its duties and obligations contemplated by this Agreement and all other agreements contemplated hereby.

4.2 Authority and Enforceability

The execution, delivery and performance of this Agreement and all other agreements contemplated hereby and the consummation of the transactions contemplated hereby and thereby have been duly and effectively authorized by the governing body of Seller; no other act or proceeding on the part of Seller is necessary to authorize this Agreement or the transactions contemplated hereby, other than the approval of the membership of Seller, which approval was given, at a duly held meeting of Seller's members held on or about September 10, 2020. This Agreement has been duly executed and delivered by Seller, and this Agreement constitutes a valid and binding obligation of Seller, enforceable against Seller in accordance with its terms, except as it may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar Laws now or hereafter in effect relating to creditors' rights generally and that the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding may be brought.

4.3 No Breach or Conflict

Subject to the provisions of Section 4.4 below regarding required Approvals, the execution, delivery and performance by Seller of this Agreement and the “Related Agreements”(if any) and any of the documents, instruments or other items to be delivered at Closing hereunder, does not and will not: (a) contravene any Law affecting or binding Seller, except where such contravention will not have a Material Adverse Effect on the Purchased Assets and will not affect the validity or enforceability of this Agreement and the Related Agreements or the validity of the transactions contemplated hereby and thereby; (b) conflict with or result in a breach of or default (with or without notice or lapse of time or both) under any material agreement or instrument to which Seller is a party or by which it or any of its properties may be affected or bound, the effect of which conflict, breach, or default, either individually or in the aggregate, would be a Material Adverse Effect on the Purchased Assets; or (c) interfere with, contravene, or violate any property right, contract right, or other enforceable right or privilege of any Person in and to any of the Purchased Assets hereunder, any of the Excluded Assets hereunder, or any portion of the System.

4.4 Approvals

(a) Except as set forth on Schedule 4.4, the execution, delivery and performance by Seller of this Agreement and the Related Agreements do not require the authorization, consent or approval of any Person that is not a Governmental Body of such a nature that the failure to obtain the same would have a Material Adverse Effect on the System.

(b) Except as set forth on Schedule 4.4, the execution, delivery and performance by Seller of this Agreement and the Related Agreements do not require the authorization, consent, approval, certification, license or order of, or any filing with, any court or Governmental Body of such a nature that the failure to obtain the same would have a Material Adverse Effect on the System.

4.5 Title to Purchased Assets

Subject to the provisions of this Section 4.5, Seller has good and marketable title to all tangible and intangible personal property and real property included in the Purchased Assets to be sold, conveyed, assigned, transferred and delivered to Buyer by Seller, free and clear of all Liens, except for the Permitted Liens. Notwithstanding the foregoing, but without limiting any warranty of title set forth pursuant to any deed or conveyance delivered by Seller to Buyer hereunder, Seller’s representation set forth in this Section 4.5 is limited with respect to the Purchased Real Property in that Seller represents only that Seller has not sold or transferred any portion of the Purchased Real Property to any other Person or caused or allowed any portion of Purchased Real Property to be subject to any lien, claim, or encumbrance not included in Permitted Liens.

4.6 No Undisclosed Liabilities

Seller has disclosed in writing to Buyer each and every: (a) liability or obligation of Seller for borrowed money arising from, related to, or in any manner secured by any portion of the Purchased Assets, (b) right, interest and/or title of any Person not a party to this Agreement, other than Permitted Liens, in or to any portion of the Purchased Assets; (c) agreement, understanding, undertaking, arrangement, or condition between either Seller and any Person not

a party to this Agreement which would, in any material manner, limit or impair the ability of Buyer to the quiet enjoyment and full, uninterrupted use of any portion of the System for its intended purpose from and after the Closing Date.

4.7 Litigation

Except for ordinary routine claims and litigation incidental to the operation of the System, the existence and nature of which have been disclosed to Buyer (including those matters set forth in Schedule 4.7, if any), there are no actions, suits, claims or proceedings pending, or to the best of either Seller's Knowledge, threatened against or affecting the Purchased Assets or relating to the operation of the System, or the execution or consummation of this Agreement, at law or in equity, or before or by any Governmental Body.

4.8 Related Agreements

Seller has entered into a number of agreements for the operation, maintenance, construction, improvement, or other services with respect to electric distribution facilities owned or used by municipal systems to serve residents located in municipal areas that are not Seller's retail member customers. Seller represents to Buyer: (i) Seller does not object and hereby consents to Buyer assuming those contracts between Seller and other municipal utility providers which Buyer, in its discretion, chooses to assume (subject to the rights of third parties to object or consent to such assumption) (the "Related Agreements"); (ii) Seller does not object and hereby consents to Buyer approaching the counterpart(ies) to any such contracts to renegotiate, renew, revise, amend, novate, or otherwise modify any such contract; (iii) Seller does not object and hereby consents to the termination of any such third party agreement which either automatically terminates by its terms upon Closing of this Agreement or which, with notice from the third party counterparty or from Buyer, may be terminated by either party thereto; and (iv) Seller will cooperate with Buyer to give effect to the Related Agreements to the extent Buyer requests from and after Closing hereunder.

ARTICLE 5. REPRESENTATIONS AND WARRANTIES OF BUYER

Buyer hereby represents, warrants, and covenants to Seller, as of the date hereof, as follows, except as set forth in Schedules numbered in relation to the Sections set forth below.

5.1 Organization and Corporate Power

Buyer is a nonprofit corporation duly formed and validly existing under the Laws of the State of Utah, and is authorized to exercise its powers, rights and privileges and is in good standing in, the State of Utah and has full power to carry on its business as presently conducted and to own or lease and operate its properties and assets now owned or leased and operated by it and to perform the transactions on its part contemplated by this Agreement and all other agreements contemplated hereby.

5.2 Authority and Enforceability

The execution, delivery and performance of this Agreement and all other agreements contemplated hereby and the consummation of the transactions contemplated hereby and thereby have been duly and effectively authorized by the governing board of Buyer; no other act or proceeding on the part of Buyer or its members is necessary to authorize this Agreement or the transactions contemplated hereby. This Agreement has been duly executed and delivered by Buyer, and this Agreement constitutes a valid and binding obligation of Buyer, enforceable against Buyer in accordance with its terms, except as it may be limited by bankruptcy, insolvency, reorganization, moratorium or other similar Laws now or hereafter in effect relating to creditors' rights generally and that the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding may be brought.

5.3 No Breach or Conflict

Subject to the provisions of Section 5.4 below regarding required Approvals, the execution, delivery and performance by Buyer of this Agreement and the Related Agreements (if any) do not: (a) conflict with or result in a breach of any of the provisions of the Articles of Incorporation or Bylaws of Buyer, (b) contravene any Law affecting or binding Buyer or any of its material properties or (c) conflict with or result in a breach of or default under any material agreement or instrument to which Buyer is a party or by which it or any of its properties may be affected or bound.

5.4 Approvals

(a) Except for approvals that have previously been obtained and/or those other approvals as set forth on Schedule 5.4, the execution, delivery and performance by Buyer of this Agreement and the Related Agreements do not require the authorization, consent or approval of any Person that is not a Governmental Body.

(b) Except for the approval of the Utah Public Service Commission as set forth on Schedule 5.4, the execution, delivery and performance by Buyer of this Agreement and the Related Agreements do not require the authorization, consent, approval, certification, license or order of, or any filing with, any court or Governmental Body.

5.5 Litigation

There are no actions, suits, claims or proceedings pending, or to the best of Buyer's Knowledge, threatened against Buyer likely to impair the consummation of the transactions contemplated by this Agreement or otherwise material to Buyer, and Buyer is not aware of facts likely to give rise to such litigation.

5.6 Disclaimer of Certain Implied Warranties

Buyer agrees that except for the representations and warranties expressly set forth in this Agreement, the Purchased Assets are being sold on an "AS IS" basis and in "WITH ALL FAULTS" CONDITION, WHETHER SUCH FAULTS ARE LATENT OR PATENT, and, without limiting the generality of the foregoing, NEITHER SELLER MAKES ANY WRITTEN OR ORAL REPRESENTATION OR WARRANTY, WHETHER EXPRESS, IMPLIED, OR

BY OPERATION OF LAW, WITH RESPECT TO (A) THE MERCHANTABILITY OF ANY PURCHASED ASSETS OR THE SYSTEM; (B) THE FITNESS OR SUITABILITY OF THE PURCHASED ASSETS OR THE SYSTEM FOR ANY PARTICULAR PURPOSE; (C) THE OPERATION OR CAPACITY OF THE SYSTEM; OR (D) THE CREDITWORTHINESS OF ANY SYSTEM CUSTOMER OR OTHER PERSON NOT A PARTY TO THIS AGREEMENT, AND ANY SUCH WARRANTY/WARRANTIES ARE HEREBY EXPRESSLY DISCLAIMED. WITHOUT LIMITING THE FOREGOING, THERE ARE NO WARRANTIES OF THIRD PARTIES OTHER THAN THOSE EXPRESSLY SET FORTH IN THIS AGREEMENT OR THOSE REFERRED TO HEREIN OR IN ANY SCHEDULE, EXHIBIT, OR ATTACHMENT HERETO. Buyer acknowledges and agrees that (a) Buyer has had the opportunity to conduct such inspections of the Purchased Assets as Buyer desires and is fully informed as to the condition of the Purchased Assets and other than the express representations and warranties in this Agreement and the documents executed and delivered in connection with this Agreement, Buyer has not relied upon any representation, warranty, or statement from the Seller or any employee, officer, or other person on behalf of Seller with respect to the Purchased Assets or the condition or operation thereof; (b) from and after the Closing Date, Buyer shall have accepted the Purchased Assets and the Seller will not have any further responsibility for the operation, maintenance or repair of the Purchased Assets (without limiting hereby any express agreement of Seller to indemnify Buyer pursuant to Section 12.3); and (c) from and after the Closing Date, Buyer assumes the risk and responsibility for such operation, maintenance and repair.

5.7 Financing

Buyer has the financial capability sufficient to permit it to perform timely its obligations hereunder and under the Related Agreements (if any). Buyer acknowledges that this Agreement does not provide for a financing contingency as a condition to Buyer's obligations to perform hereunder. At Seller's request, Buyer shall promptly provide Seller with reasonable evidence that it has sufficient capital resources to perform its obligations hereunder and under the Related Agreements (if any).

ARTICLE 6. COVENANTS OF EACH PARTY

6.1 Efforts to Close

Subject to the terms and conditions herein provided, including Article 9 and Article 10 hereof, each of the parties hereto agrees to use commercially reasonable efforts to take all actions and to do all things necessary, proper or advisable under applicable Laws to consummate and make effective, as soon as reasonably practicable, the transactions contemplated hereby, including the satisfaction of all conditions set forth herein. Such actions shall include exerting commercially reasonable efforts to obtain the approval of all Persons whose consent is reasonably necessary to effectuate the transactions contemplated hereby and effecting all other necessary registrations and filings with any other Governmental Bodies that are required to effect the transactions contemplated hereby. Seller shall cooperate with Buyer's efforts to obtain the requisite regulatory consents, provided Seller shall not be obligated to incur any liabilities or assume any obligations in connection therewith. Other than Buyer's and Seller's obligations

under Section 6.3, neither party shall have any liability to the other if, after using commercially reasonable efforts, it is unable to obtain any approvals necessary for such party to consummate the transactions contemplated hereby. Furthermore, Seller and Buyer shall execute and deliver such other agreements, documents and instruments as are required to be delivered by such party at or prior to Closing to effectuate the transactions contemplated by this Agreement. Notwithstanding the foregoing, in the event that any Party learns for the first time, through any notice, delivery or disclosure to be made hereunder prior to Closing of any condition or fact that would have a Material Adverse Effect on the reasonable expectations of the Party learning such fact, such Party shall have no obligation to proceed to Closing hereunder.

6.2 Further Assurances

After the Closing, upon prior reasonable written request, each party shall cooperate with the other, at the requesting party's expense (but including only out-of-pocket expenses to third parties), in furnishing non-privileged records, information, testimony and other assistance in connection with any inquiries, actions, audits, proceedings or disputes involving either of the parties hereto (other than in connection with disputes between the parties hereto) that relate to contracts, arrangements or acts of Seller which were in effect or occurred on or prior to Closing and which relate to the Purchased Assets. Each Party hereto shall, as requested by the other Party, provide additional assurance, execute and deliver such instruments, assignments, certificates, or other documents, and shall take such actions as reasonably shall be necessary or desirable to evidence and to give full effect to the provisions of this Agreement.

6.3 Expenses

Whether or not the transactions contemplated hereby are consummated, except as otherwise provided in this Agreement, all costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such expenses. Notwithstanding the foregoing, (a) recording costs and charges respecting real property will be borne by Seller; (b) all liabilities or obligations for taxes in the nature of sales taxes incurred as a result of the sale of the Purchased Assets hereunder to Buyer shall be borne by Buyer; (c) all document stamp fees, or similar taxes (but not any income-based tax or fee and not any tax, fee, or assessment authorized or collected by either Seller) disclosed in writing to the parties at or prior to Closing, and the reasonable customary fees of Escrow Agent shall be shared equally by Seller on the one hand and Buyer on the other hand. All such charges and expenses shall be promptly settled between the parties at the Closing or upon termination or expiration of further proceedings under this Agreement, or with respect to such charges and expenses not determined as of such time, as soon thereafter as is reasonably practicable.

6.4 Preservation of Confidentiality

In connection with the negotiation of this Agreement and the preparation for the consummation of the transactions contemplated hereby, the parties acknowledge that each has had and will have access to confidential information relating to the other party, including without limitation any customer information provided by Seller to Buyer pursuant to Section 7.2, ("Confidential Information"). Prior to the Closing Date, and in the event this Agreement is terminated prior to the Closing, each of the parties shall treat all Confidential Information of the other party as confidential, preserve the confidentiality thereof and not disclose any such Confidential Information, except to their representatives (including accountants and attorneys)

and Affiliates who need to know such Confidential Information in connection with the transactions contemplated hereby. The parties shall use all reasonable efforts to cause their representatives and Affiliates to treat all Confidential Information as confidential, preserve the confidentiality thereof and not disclose any Confidential Information. Each party shall be responsible for any breach of this Agreement by any of its representatives. Notwithstanding the foregoing, nothing in this Agreement: (a) shall be construed to limit any right of any Governmental Body to review the substantive terms and conditions hereof or to conduct any investigation or make any inquiry and to receive such information as may be necessary or desirable to approve this Agreement or any transaction contemplated hereby; or (b) shall limit disclosure required by law, a court or arbitrator (under any legally binding arbitration) or other judicial process or in connection with the defense of claims pursuant to this Agreement.

6.5 Collection of Accounts Receivable; Purchase of Certain Accounts Post Closing

Following the Closing Date, but subject in all events to the provisions of Section 6.5(b) below, Buyer or its designee shall have the right and authority to collect for Buyer's account, all accounts receivable and other similar such items owned by or accruing to Seller relating to electricity delivered or services provided by Seller to its customers on or before the Closing. To the extent that Seller receives any payments in respect of any of the foregoing Seller shall properly endorse and deliver to Buyer any cash or checks received on account of or otherwise relating to any such receivables, on a timely basis. To the extent Seller delivers to Buyer any amount(s) collected and received on such accounts, provided Seller uses its reasonable good faith efforts to identify and segregate such funds and deliver such to Buyer, Seller's obligation pursuant to the foregoing provisions of this subsection shall be deemed to have been satisfied. Following the Closing Date, Buyer or its designee shall have the right and authority to take possession on Buyer's account, of all receivables, contracts, customer billing records, and other similar items. To the extent that Seller receives any payments related to the services rendered to any System Customers after Closing, Seller shall properly endorse and deliver to Buyer any cash or checks received on account of or otherwise relating to any such receivables or payments, to be paid on a timely basis. Seller agrees it will use its commercially reasonable efforts, but at no additional cost to Seller, to cooperate with Buyer after the Closing Date in the collection of all accounts receivable and other similar such items relating to electricity delivered or services provided by Seller on or before the Closing or for services rendered by Buyer from and after Closing.

ARTICLE 7.
ADDITIONAL COVENANTS OF SELLER

Seller hereby additionally covenants, promises, and agrees as follows:

7.1 Access

Subject to the restrictions set forth in Section 6.4 respecting confidentiality and any restrictions imposed by applicable Laws, Seller shall afford Buyer and its representatives, reasonable access to the managerial personnel associated therewith and all the properties, books,

contracts, commitments and records included in or relating to the Purchased Assets which Seller has or to which it has access in order to facilitate transition planning. Such access shall be afforded to Buyer during normal business hours and only in such manner so as not to disturb or interfere with the normal operations of Seller. Seller's covenants under this Section are made with the understanding that Buyer shall use all such information in compliance with all Laws.

7.2 Customer Information

To the extent permitted by applicable Laws, Seller will make available to Buyer prior to the Closing Date electrical customer information in either hard copy or electronic format. In addition, Seller will make available to Buyer all drawings, maps, diagrams, and other similar documents in Seller's possession relating to the System.

7.3 Conduct Pending Closing

(a) Prior to consummation of the transactions contemplated hereby or the termination or expiration of this Agreement pursuant to its terms, Seller will continue to operate the System in the ordinary course and will generally maintain the System in the condition in which it presently exists (reasonable wear and tear excepted), including, in each case, line extensions and the acquisition and disposition of assets used in the operation and maintenance of the System, all consistent with past practices of Seller and in conformity with prudent utility practice. Notwithstanding the foregoing, Seller represents that to its Knowledge, there are no acquisitions or dispositions which it intends, contemplates, or foresees prior to the Closing Date which, in the aggregate would exceed Five Thousand Dollars (\$5,000.00). The parties agree that there shall be no adjustment to the Purchase Price as a result of such acquisitions or dispositions.

(b) Notwithstanding the provisions of Section 7.3(a), but without limiting the provision of Section 7.3(c), without the prior written consent of Buyer, which consent shall not be unreasonably withheld or delayed, prior to the consummation of the transactions contemplated hereby, Seller covenants and agrees that it shall not:

- (i) dispose of any Purchased Assets valued in excess of Five Thousand Dollars (\$5,000);
- (ii) other than in the ordinary course of business, incur any additional debt related to the System or Purchased Assets; or
- (iii) except as contemplated by this Agreement, enter into any contracts that may impact the value of the Purchased Assets.

(c) Seller and Buyer each acknowledge and agree, notwithstanding the other provisions of this Article 7, that Seller contemplates making capital rotation(s) to its membership prior to Closing in an amount and designed to be paid in such a manner that: (i) has been disclosed to Buyer; and (ii) will not exceed an aggregate amount as Buyer indicates in writing prior to Closing, is within the range Buyer contemplated at the time of this Agreement or to which Buyer otherwise gives its consent.

(d) As soon as practicable, and in all cases prior to the anticipated Closing Date, Seller shall provide Buyer with all electrical customer information necessary for Buyer to set up billing

accounts, in a readily useable electronic format (i.e. an excel spreadsheet showing account activity during at least the prior ninety (90) days, with weekly updates of changes to account data up to and through the Closing Date). Seller will, prior to the Closing Date, provide copies of all drawings, maps (including base maps), diagrams and other similar documents relating to the System. Drawings and maps shall be provided in electronic AutoCAD 2000 format where available, or otherwise as may be deemed adequate by Buyer. Buyer will treat all information received from Seller under this section as Confidential Information and, in the event that the sale and purchase does not close, will comply with the provisions of Section 6.4 with respect thereto.

7.4 Payment of Outstanding Debt in Ordinary Course

Pending the Closing hereunder, Seller shall use commercially reasonable efforts to continue to retire, repay, redeem, discharge, or otherwise satisfy all outstanding Seller Indebtedness, bonds, loans, and other debt secured by the System in accordance with Seller's recent past practices.

7.5 Conduct Following Closing

Seller shall at all times use its commercially reasonable efforts to maintain and preserve all rights available to Seller under any contract or understanding included in the Purchased Assets and/or Assignment of Rights, for the benefit of Buyer and shall, at Buyer's reasonable request and at Buyer's expense, take such action(s), make such deliveries, or execute such documents from time to time as reasonably requested by Buyer to allow Buyer to enjoy the full benefits of all Seller's rights, privileges, or remedies under any of such contracts, including taking such action(s) as requested by Buyer pending the receipt of the full consent to the extent required of any counterparty thereunder to the assignment of such rights to Seller.

ARTICLE 8. ADDITIONAL COVENANTS OF BUYER

8.1 Acquired Customer Rates and Fees; Policies

Buyer agrees that all customers located in the areas presently served by the System will become members of Buyer as of the Closing. Subject to the provisions of this Section 8.1, as of the Closing Date hereunder, the initial rates charged by Buyer to such customers shall be no greater than equivalent existing rates and charges of Seller for similar class and character of service. Changes in rates and charges to Seller's System Customers from and after Closing shall be subject to policies that from time to time may be established by the governing board of Buyer. Notwithstanding the foregoing, Buyer and Seller each acknowledges and agrees that, for a period through and including December 31, 2025: (a) Buyer shall use its best efforts, to the fullest extent permitted by applicable Law, to refrain from promulgating any increase in rates or charges for any class of service to System Customers above or in excess of those rates and charges of Seller for similar service(s) at the time of this Agreement; (b) from and after January 1, 2026, increases and/or other changes in rates charged to System Customers shall be subject to the policies, procedures, rate design and decisions of Buyer's governing board. Without limiting the foregoing, each Party acknowledges that it is the intent of this Agreement that rates charged to Seller's System Customers from and after January 1, 2026 shall be brought into parity with Buyer's other customers of each similar class of service, subject to justifiable differences in the

cost of service applicable to each such class of customer service at the location(s) where such service(s) may be provided. Nothing in the foregoing shall limit or prevent Buyer, from and after Closing, from offering any optional rate(s) or schedule(s) for interruptible or other incentive rate(s) on a voluntary basis to any class of service customer within Buyer's system (including any System Customers).

8.2 Conduct Pending Closing

Prior to consummation of the transactions contemplated hereby or the termination or expiration of this Agreement pursuant to its terms, unless Seller shall otherwise consent in writing, Buyer shall not take any action which would cause any of Buyer's representations and warranties set forth in Article 5 to be materially false as of the Closing.

8.3 Conduct Following Closing

(a) District Voting. Buyer will undertake a realignment of its voting districts for elections to its governing board, which realignment shall take place during a normal and regular district election process within a reasonable time following Closing. Such realignment shall occur in such manner as to establish a voting district for Buyer's governing board representing one (1) voting representative for the System Customers previously served by Seller.

(b) Non-voting Representation. Following Closing hereunder, Buyer may offer non-voting status to one or more existing Seller representatives to serve for a transitional period in a consultative capacity at the pleasure and subject to the will of Buyer's governing board. The nature, duration, terms, and conditions of such status shall be as determined by Buyer in Buyer's sole discretion, with no contract or other vested rights accruing to any such consultative representatives.

ARTICLE 9. BUYER'S CONDITIONS TO CLOSING

The obligations of Buyer to consummate the transactions contemplated hereby with respect to the System and the Purchased Assets and Assumed Liabilities related thereto shall be subject to fulfillment at or prior to the Closing of the following conditions unless Buyer waives in writing such fulfillment.

9.1 Performance of Agreement; Cross Default

Seller shall have performed in all material respects its agreements and obligations contained in this Agreement required to be performed on or prior to the Closing. Without limiting any other provision of this Agreement, in no event shall Buyer be obligated to pay any portion of the Purchase Price or proceed to purchase any portion of the Purchased Assets or otherwise proceed to Closing unless and until Seller has tendered all deliveries and conveyances, in accordance with the express terms of this Agreement on or prior to Closing. Except as waived or otherwise modified in writing executed by an authorized officer of Buyer, the agreement set forth in this Agreement for the purchase of the System is dependent on the purchase and delivery

from Seller of the entire System, including all of the Purchased Assets. Any breach or default by either Seller hereunder shall constitute a breach by Seller.

9.2 Accuracy of Representations and Warranties

The representations and warranties of Seller set forth in Article 4 of this Agreement shall be true and correct in all material respects as to the System or Purchased Assets in question as of the date of this Agreement (unless the inaccuracy or inaccuracies which would otherwise result in a failure of this condition have been cured as of the Closing) and as of the Closing as if made as of such time.

9.3 Consent of Deseret Power; Representation on Deseret Power Governing Board

Buyer shall have no obligation to purchase the Purchased Assets or to proceed to Closing hereunder, and Buyer may terminate this Agreement whereupon it shall thereafter be null and void unless, prior to Closing, Deseret Generation & Transmission Co-operative (“Deseret” or “Deseret Power”), as the wholesale power supplier of both Seller and Buyer:

(a) consents, by affirmative vote of a majority of Deseret’s governing board at a duly held meeting of such board, to the acquisition by Buyer of the Purchased Assets and all System Customers from Seller, with an acknowledgement that Buyer’s system requirements from and after Closing hereunder will increase and include the requirements to service the System Customers and operate the Purchased Assets as part of Buyer’s electric distribution system pursuant to the terms of existing power supply contract(s) between Buyer and Deseret; and

(b) agrees and makes suitable provision and/or change(s) in the Deseret bylaws (and any bylaws of affiliated entities) to accommodate representation of at least three (3) representatives nominated by Buyer to the Deseret governing board (and any affiliated entity’s governing board) through a period beginning at Closing hereunder and ending no sooner than December 31, 2026, *provided* that Deseret’s revised bylaws may require, as a prerequisite qualification for such augmented representation during the transition period, that at least one (1) such representative have previously served as a representative nominated by Seller on Deseret’s governing board prior to the Closing hereunder in order to qualify to serve as the third (3d) such representative nominated by Buyer to its governing board.

9.4 Officers’ Certificate

Buyer shall have received from Seller a certified statement, executed on such Seller’s behalf by an Authorized Officer of Seller dated the Closing Date and stating that the conditions in Sections 9.1, 9.2, and 9.3 above have been met.

9.5 Approvals; Acceptance of Initial Rates to System Customers

All Permits and all other approvals, consents, authorizations and waivers from other third parties (collectively "Approvals") required to consummate the transactions contemplated by this Agreement and required for Buyer to operate the System materially in accordance with the manner in which it was operated by Seller prior to the Closing shall have been obtained. Without limiting the foregoing, the rates and charges proposed by Buyer to be charged to System Customers as of the time of Closing must have been approved and/or accepted by Buyer's governing board without any change or condition, and such approval must have become final and non-appealable, and a determination by Buyer that such approval will not be disturbed or challenged by the action of or any appeal to any regulatory authority prior to Buyer's obligation to proceed to consummate any transaction contemplated hereby.

9.6 No Restraint

There shall be no:

(a) injunction, restraining order or order of any nature issued by any court of competent jurisdiction or Governmental Body directing that the transactions contemplated hereby shall not be consummated as herein provided or compelling Buyer to dispose of or discontinue, or materially restrict the operation of, the System as a result of the consummation of the transactions contemplated hereby;

(b) suit, action or other proceeding by or before any court or Governmental Body pending or threatened (pursuant to a written notification), wherein such complainant seeks the restraint or prohibition of the consummation of the transactions contemplated hereby or seeks to compel, or such complainant's actions would compel, Buyer to dispose of or discontinue, or materially restrict the operation of, the System as a result of the consummation of the transactions contemplated hereby; or

(c) action taken, or Law enacted, promulgated or deemed applicable to the transactions contemplated hereby, by or before any court or Governmental Body which would render the purchase and sale of the System and related Purchased Assets illegal or which would threaten the imposition of any material penalty or material economic detriment upon Buyer if such transactions were consummated; provided that, the parties will use their reasonable efforts to litigate against, and to obtain the lifting of, any such injunction, restraining or other order, restraint, prohibition, action, suit, Law or penalty.

9.7 Modification of Deseret Wholesale Supply Agreement

Deseret Power shall acknowledge an additional point of receipt for power supply to Buyer under its existing wholesale requirements agreement to serve System Customers from and after the Closing at point(s) of receipt heretofore designated for wholesale delivery to Seller.

9.8 Bill of Sale; Special Warranty Deed; Assignment of Right-of-Way

Seller shall have executed and delivered to Buyer such Bills of Sale, Special Warranty Deeds and assignments, including the Assignment of Right-of-Way and associated permits, as are necessary to convey, sell, transfer and assign to Buyer all right, title and interest in and to the

Purchased Assets free and clear of all Liens other than the Permitted Liens and those other matters, if any, as may be approved in writing by Buyer prior to the Closing Date.

9.9 Assignment of Indemnification and Other Rights

Seller shall have executed and delivered to Buyer the Assignment of Indemnification Rights, pursuant to which Seller will assign to Buyer the right to pursue an indemnity, warranty, subrogation, contribution, or other similar claims under any indemnity agreement, purchase contract, or other agreement of or arising by law against any vendor, supplier, OEM manufacturer, insurer, or others in favor of Seller relating to the presence of any harmful or hazardous materials in, on, or otherwise escaped from any of the Purchased Assets. Such Assignment of Indemnification Rights shall not require or contain any representation or warranty concerning the enforceability of the rights assigned or that such rights are assignable.

9.10 Release of Seller Liens

Buyer shall have received reasonably satisfactory evidence of the release of any Liens arising by or through Seller on the Purchased Assets as security for any indebtedness against Seller or any Purchased Asset other than the System Indebtedness included as part of the Assumed Liabilities hereunder.

9.11 Receipt of Other Documents

Buyer shall have received the following:

- (a) The documents and instruments contemplated by Section 3.2;
- (b) certified copies of the resolutions of the governing body of Seller authorizing, approving, and directing the execution and performance of this Agreement, the Related Agreements (if any) and the transactions contemplated hereby;
- (c) one or more certificates as to the incumbency of each Authorized Officer of Seller who has signed this Agreement, any Related Agreement or any certificate, document or instrument delivered pursuant to this Agreement or any Related Agreement; and
- (d) instruments of transfer, sufficient to transfer personal property interests that are included in the Purchased Assets but not otherwise transferred by the Bills of Sale, Special Warranty Deed and assignments referred to in Section 9.10 above, properly executed and acknowledged in the form customarily used in commercial transactions in Utah.

ARTICLE 10.
SELLER'S CONDITIONS TO CLOSING

The obligations of Seller to consummate the transactions contemplated hereby shall be subject to the fulfillment at or prior to the Closing of the following conditions unless Seller waives in writing such fulfillment.

10.1 Performance of Agreement

Buyer shall have performed in all material respects its agreements and obligations contained in this Agreement required to be performed on or prior to the Closing.

10.2 Accuracy of Representations and Warranties

The representations and warranties of Buyer set forth in Article 5 of this Agreement shall be true and correct in all material respects as of the date of this Agreement (unless the inaccuracy or inaccuracies which would otherwise result in a failure of this condition have been cured as of the Closing) and as of the Closing as if made as of such time.

10.3 Officers' Certificate

Seller shall have received from Buyer an officers' certificate, executed on Buyer's behalf by an Authorized Officer of Buyer dated the Closing Date and stating that the conditions in Sections 10.1 and 10.2 above have been met.

10.4 Approvals

All Approvals required to consummate the transactions contemplated by this Agreement shall have been obtained.

10.5 No Restraint

There shall be no:

(a) injunction, restraining order or order of any nature issued by any court of competent jurisdiction or Governmental Body directing that the transactions contemplated hereby shall not be consummated as herein provided;

(b) suit, action or other proceeding by or before any court or Governmental Body pending or threatened (pursuant to a written notification), wherein such complainant seeks the restraint or prohibition of the consummation of the transactions contemplated hereby or otherwise constrains consummation of the transactions contemplated hereby on the terms contemplated herein; or

(c) action taken, or Law enacted, promulgated or deemed applicable to the transactions contemplated hereby, by or before any court or Governmental Body which would render the purchase and sale of the System and related Purchased Assets illegal or which would threaten the imposition of any material penalty or material economic detriment upon Seller if such transactions were consummated; provided, that the parties will use their reasonable efforts to litigate against, and to obtain the lifting of, any such injunction, restraining or other order, restraint, prohibition, action, suit, law or penalty.

10.6 Assumption Document

Buyer shall have executed and delivered to Seller(s) an Assumption Document evidencing Buyer's assumption of the Assumed Liabilities.

10.7 Mortgagee Approval; Release of Liabilities

(a) Any mortgagee under a mortgage secured in any substantial part by Seller's interest in the Purchased Assets shall evidence approval of the transaction(s) contemplated hereby by delivering written consent to Seller, with a copy to Buyer, in form and substance satisfactory to each Party hereto.

(b) Seller shall have received release(s) from the mortgagee(s) in form and substance satisfactory to Seller releasing Seller from any and all current and future debts and liabilities for any of the System Indebtedness, unless otherwise agreed in writing between Seller and the mortgagee/debtholder.

10.8 Receipt of Other Documents

Seller shall have received the following:

(a) certified copies of the resolutions of Buyer's board of directors respecting this Agreement, any Related Agreements and the transactions contemplated hereby, together with certified copies of any shareholder, partner, member or other owner resolutions which are necessary to approve the execution and delivery of this Agreement and the Related Agreements and/or the performance of the obligations of Buyer hereunder and thereunder;

(b) one or more certificates as to the incumbency of each officer of Buyer who has signed this Agreement, any Related Agreement or any certificate, document or instrument delivered pursuant to this Agreement or any Related Agreement; and

(c) copies of all third party and governmental consents, permits and authorizations that Buyer has received in connection with the transactions contemplated hereby.

ARTICLE 11. TERMINATION

11.1 Termination

This Agreement and the transactions contemplated hereby that have not been consummated may be terminated:

(a) at any time, by mutual written consent executed by one or more duly authorized corporate officer(s) of both Seller and Buyer; or

(b) by any party upon notice to the others if there has been a material default or material breach under this Agreement by one or more other part(ies) which is not cured by the earlier of the Closing Date or the date thirty (30) days after receipt by the other party of notice from the terminating party specifying with particularity such breach or default, *provided, however*, that to the extent any Party has Knowledge of any material default or breach which would, with the giving of notice, give rise to any right to terminate this Agreement, such Party shall immediately notify the other Party of the nature of such default or breach and, failing which, to the extent any

Party does not give such notice without delay, the breach and/or default shall be deemed waived solely for purpose of this Section 11.1(b); or

(c) by any party upon notice to the others if (i) the Closing shall not have occurred by the Termination Date or (ii) (A) in the case of termination by Seller, the conditions set forth in Article 10 for the Closing cannot reasonably be satisfied despite the use of commercially reasonable efforts as set forth in Section 6.1 by the Termination Date and (B) in the case of termination by Buyer, the conditions set forth in Article 9 for the Closing cannot be satisfied despite the use of commercially reasonable efforts as set forth in Section 6.1 by the Termination Date, unless in either of the cases described in clause (A) or (B), the failure of the condition is the result of the material breach, material default or fraudulent act under this Agreement by the party seeking to terminate. Each party's right of termination hereunder is in addition to any other rights it may have hereunder or otherwise; or

(d) by Buyer upon its determination that the conditions to Closing set forth pursuant to the terms of Section 9.3 or Section 9.7 are unlikely to be satisfied in a timely manner by appropriate action of the governing board of Deseret Power.

11.2 Effect of Termination

In the event of such termination of this Agreement, there shall be no liability for damages on the part of a party to another under and by reason of this Agreement or the transactions contemplated hereby except as set forth in Article 12.

ARTICLE 12. SURVIVAL AND REMEDIES; INDEMNIFICATION

12.1 Survival

Except as may be otherwise expressly set forth in this Agreement, the representations, warranties, covenants and agreements of Buyer and Seller set forth in this Agreement, or in any writing required to be delivered in connection with this Agreement, shall survive the Closing Date.

12.2 Exclusive Remedy

Unless otherwise specifically provided herein, the sole exclusive remedy for damages of a party hereto for any breach of the representations, warranties, covenants, and agreements of any other party contained in this Agreement shall be the remedies contained in this Article 12.

12.3 Indemnity by Seller

(a) Seller shall indemnify and defend Buyer and its shareholders, directors, officers, employees, contractors and agents (each one an "Indemnified Person") and hold them harmless from and against any and all claims, demands, suits, losses, liabilities, damages and expenses, including reasonable attorneys' fees and costs of investigation, litigation, arbitration, settlement and judgment (collectively "Losses"), which any such Indemnified Person may sustain or suffer or to which such Indemnified Person may become subject as a result of the inaccuracy of any

representation or the breach of any representation or warranty made by the indemnifying Seller in Article 4 hereof, which inaccuracy or breach was known or should have been known by Seller at the time of Closing, by virtue of the actual, (not merely imputed) knowledge of Seller's chief executive officer and/or any officer(s) executing this Agreement or executing any of the documents conveyed to Buyer at the time of Closing hereunder.

(b) The indemnification obligations of Seller provided above shall, in addition to the qualifications and conditions set forth in Sections 12.5 and 12.6, be subject to the following qualifications:

(i) Buyer shall not be entitled to indemnity for breaches of representations and warranties on account of third party property claims, unless notice to the indemnifying Seller of such claim specifying the basis thereof is made, or an action at law or in equity with respect to such claim is served, before the first (1st) anniversary of the Closing Date; and

(ii) Buyer shall not be entitled to indemnity hereunder except for out-of-pocket Losses actually suffered or sustained by it and such indemnity shall not include Losses in the nature of consequential damages, punitive damages, lost profits, diminution in value, damage to reputation or the like.

12.4 Indemnity by Buyer

(a) Buyer shall indemnify and defend Seller and its officers, employees, contractors, and agents, and hold them harmless from and against any and all Losses which they may sustain or suffer or to which they may become subject as a result of:

(i) the inaccuracy of any representation or the breach of any representation or warranty made by Buyer in this Agreement;

(ii) the nonperformance or breach of any covenant or agreement made or undertaken by Buyer in this Agreement;

(iii) if the Closing occurs, the failure of Buyer to pay, discharge or perform as and when due, any of the Assumed Liabilities; and

(iv) any Losses incurred by Seller as a result of access to the Purchased Assets prior to Closing granted by Seller to Buyer in accordance with the provisions of Section 7.1 and customer information provided by Seller to Buyer pursuant to Section 7.2;

(b) The indemnification obligations of Buyer provided above shall be subject to the following qualification, in addition to the qualifications and conditions set forth in Sections 12.5 and 12.6 below: Seller and each Person entitled to indemnification pursuant to this Section 12.4 shall not be entitled to indemnity hereunder except for out-of-pocket Losses actually suffered or sustained by each of them and such indemnity shall not include Losses in the nature of

consequential damages, punitive damages, lost profits, diminution in value, damage to reputation or the like.

12.5 Further Qualifications Respecting Indemnification

The right of a Person indemnified pursuant to this Agreement (an “Indemnatee”) to indemnity hereunder shall be subject to the following additional qualifications:

(a) The Indemnatee shall promptly upon its discovery of facts or circumstances giving rise to a claim for indemnification, including receipt by it of notice of any demand, assertion, claim, action or proceeding, judicial, governmental or otherwise, by any third party (such third party actions being collectively referred to herein as “Third Party Claims”), give notice thereof to the indemnifying party (the “Indemnitor”), such notice in any event to be given within 30 days from the date the Indemnatee obtains actual knowledge of the basis or alleged basis for the right of indemnity or such shorter period as may be necessary to avoid material prejudice to the Indemnitor.

(b) In computing Losses, such amounts shall be computed net of any related recoveries to which the Indemnatee is entitled under insurance policies, or other related payments received or receivable from third parties, and net of any tax benefits actually received by the Indemnatee or for which it is eligible, taking into account the income tax treatment of the receipt of indemnification.

12.6 Procedures Respecting Third Party Claims

In providing notice to the Indemnitor of any Third Party Claim (the “Claim Notice”), the Indemnatee shall provide the Indemnitor with a copy of such Third Party Claim or other documents received and shall otherwise make available to the Indemnitor all relevant information material to the defense of such claim within the Indemnatee’s possession. The Indemnitor shall have the right, by notice given to the Indemnatee within fifteen (15) days after the date of the Claim Notice, to assume and control the defense of the Third Party Claim that is the subject of such Claim Notice, including the employment of counsel selected by the Indemnitor after consultation with the Indemnatee, and the Indemnitor shall pay all expenses of, and the Indemnatee shall cooperate fully with the Indemnitor in connection with, the conduct of such defense. The Indemnatee shall have the right to employ separate counsel in any such proceeding and to participate in (but not control) the defense of such Third Party Claim, but the fees and expenses of such counsel shall be borne by the Indemnatee unless the Indemnitor shall agree otherwise; provided, however, if the named parties to any such proceeding (including any impleaded parties) include both the Indemnatee and the Indemnitor, the Indemnitor requires that the same counsel represent both the Indemnatee and the Indemnitor, and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them, then the Indemnatee shall have the right to retain its own counsel at the cost and expense of the Indemnitor. If the Indemnitor shall have failed to assume the defense of any Third Party Claim in accordance with the provisions of this Section, then the Indemnatee shall have the absolute right to control the defense of such Third Party Claim, and, if and when it is finally determined that the Indemnatee is entitled to indemnification from the Indemnitor hereunder, the fees and expenses of Indemnatee’s counsel shall be borne by the Indemnitor, provided that the Indemnitor shall be entitled, at its expense, to participate in (but not control)

such defense. The Indemnitor shall have the right to settle or compromise any such Third-Party Claim for which it is providing indemnity so long as such settlement does not impose any obligations on the Indemnatee (except with respect to providing releases of the third party). The Indemnitor shall not be liable for any settlement effected by the Indemnatee without the Indemnitor's consent except where the Indemnatee has assumed the defense because Indemnitor has failed or refused to do so. The Indemnitor may assume and control, or bear the costs, of any such defense subject to its reservation of a right to contest the Indemnatee's right to indemnification hereunder, provided that it gives the Indemnatee notice of such reservation within fifteen (15) days of the date of the Claim Notice.

12.7 Contract Damages

Each party shall be entitled to contract damages for a breach of the other party's obligations hereunder. Notwithstanding the foregoing or any other provision of this Agreement, in no event shall any Party hereunder be liable to any other Party, any such party's agents, officers, assigns, or successors, or to any third party hereunder, regardless of the nature of any claim, damage, breach, or cause of action, for any special, indirect, consequential, punitive, or exemplary damages.

ARTICLE 13. GENERAL PROVISIONS

13.1 Entirety of Agreement; Amendments

This Agreement (including the Schedules and Exhibits hereto), the Related Agreements and the other documents and instruments specifically provided for in this Agreement and the Related Agreements contain the entire understanding between the parties concerning the subject matter of this Agreement and such other documents and instruments and, except as expressly provided for herein, supersede all prior understandings and agreements, whether oral or written, between them with respect to the subject matter hereof and thereof. There are no representations, warranties, agreements, arrangements, or understandings, oral or written, between the parties hereto relating to the subject matter of this Agreement and such other documents and instruments which are not fully expressed herein or therein. This Agreement may be amended or modified only by an agreement in writing signed by each of the parties hereto. All Exhibits and Schedules attached to or delivered in connection with this Agreement are integral parts of this Agreement as if fully set forth herein.

13.2 Successors and Assigns

The rights under this Agreement shall not be assignable or transferable nor the duties delegable by either party without the prior consent of the other, and nothing contained in this Agreement, express or implied, is intended to confer upon any Person, other than the parties hereto, their permitted successors-in-interest and permitted assignees and any Person benefiting from the indemnities provided herein, any rights or remedies under or by reason of this Agreement unless so stated to the contrary.

13.3 Notices

All notices, requests, demands, waivers, consents and other communications hereunder shall be in writing, shall be delivered either in person, by telegraphic, facsimile or other electronic means, by overnight air courier or by mail, and shall be deemed to have been duly given and to have become effective (a) upon receipt if delivered in person or by telegraphic, facsimile or other electronic means, (b) one Business Day after having been delivered to an air courier for overnight delivery or (c) three Business Days after having been deposited in the U.S. mails as certified or registered mail, return receipt requested, all fees prepaid, directed to the parties or their permitted assignees at the following addresses (or at such other address as shall be given in writing by a party hereto):

If to Seller, addressed to:

Flowell Electric
Attn: Durand Robison
495 N. 3200 W.
Fillmore, Utah 84631
Email: mail@flowellelectric.com

Facsimile:

If to Buyer, addressed to:

Dixie Power
Attn: LaDel Laub
71 East Highway 56
Beryl, Utah 84714

Facsimile: (435) 439-5352

with a copy to counsel for Deseret Power:

Deseret Power
10714 South Jordan Gateway
South Jordan, Utah 84095
Attn: David F. Crabtree
Email: crabtree@deseretgt.com
Facsimile: (801) 619-6598

13.4 No Attorneys' Fees

In any litigation or other proceeding relating to this Agreement, each party or interested person participating in such proceeding shall bear its own costs, including court costs, consultant, and attorneys' fees.

13.5 Severability

Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be valid, binding and enforceable under applicable Law, but if any provision of this Agreement is held to be invalid, void (or voidable) or unenforceable under applicable Law, such provision shall be ineffective only to the extent held to be invalid, void (or voidable) or unenforceable, without affecting the remainder of such provision or the remaining provisions of this Agreement.

13.6 Counterparts

This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

13.7 Captions and Paragraph Headings

Captions and paragraph headings used herein are for convenience only and are not a part of this Agreement and shall not be used in construing it.

13.8 Waiver

The failure of a party to insist, in any one or more instances, on performance of any of the terms, covenants and conditions of this Agreement shall not be construed as a waiver or relinquishment of any rights granted hereunder or of the future performance of any such term, covenant or condition, but the obligations of the parties with respect thereto shall continue in full force and effect. No waiver of any provision or condition of this Agreement by a party shall be valid unless in writing signed by such party or operational by the terms of this Agreement. A waiver by one party of the performance of any covenant, condition, representation, or warranty of the other party shall not invalidate this Agreement, nor shall such waiver be construed as a waiver of any other covenant, condition, representation, or warranty. A waiver by any party of the time for performing any act shall not constitute a waiver of the time for performing any other act or the time for performing an identical act required to be performed at a later time.

13.9 Governing Law

This Agreement shall be governed in all respects, including validity, interpretation, and effect, by the laws of the State of Utah applicable to contracts made and to be performed wholly within the State of Utah by residents of the State of Utah.

13.10 Time Is of the Essence


Time is hereby expressly made of the essence with respect to each and every term and provision of this Agreement. The parties acknowledge that each will be relying upon the timely performance by the other of its obligations hereunder as a material inducement to each party's execution of this Agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have duly executed this Agreement on the date first above written.

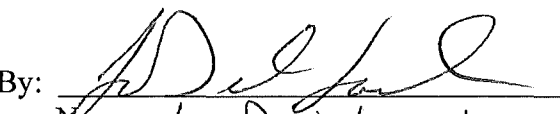
SELLER:

FLOWELL ELECTRIC ASSOCIATION, INC.

By: 
Name: Durand Robison
Title: CEO

BUYER:

**DIXIE-ESALANTE RURAL ELECTRIC
COOPERATIVE, INC.**

By: 
Name: LaDel Lamb
Title: President & CEO

Schedule 2.3

EXCLUDED ASSETS

1. Personal effects, decorations, and furnishings located in the office of Seller's Chief Executive Officer as of the date of Closing;
2. Copies of books, and records of which the Seller's Chief Executive Officer has custody as of the Closing and which he requests for personal reference; provided that copies of such books or records shall be made available to Buyer at Buyer's request and expense;
3. Software and office computer used for the personal office purposes of the Seller's Chief Executive Officer as of the Closing.

Schedule 4.4

Seller Approvals

1. Completion of the sale of the System requires the approval of the membership of Seller, which approval was given at a duly noticed membership meeting held September 10, 2020.
2. Completion of the sale of the System requires the approval of the governing board of Flowell Electric Association, which approval was given at a duly noticed meeting of such body on or about February 11, 2020.

Schedule 4.7

Litigation

1. None.

Note: Seller has been informed and is aware of certain matters involving a potential and/or actual dispute over various requests for service, line extensions, upgrades, and other matters raised by a customer of Seller and involving one or more bankruptcy order(s) and/or disputed claims before the Utah PSC, among other things.

Schedule 5.4

Buyer Approvals

1. Completion of the purchase of the System requires the approval of the governing board of Dixie-Escalante Rural Electric Cooperative, which approval was given at a meeting of such body on February 5, 2020.
2. Completion of the sale of the purchase of the System requires the approval of the Utah Public Service Commission, which approval will be requested and must be obtained as a precondition to Closing.

EXHIBIT A

DESCRIPTION OF FLOWELL SERVICE AREA

1. See attached Order of the Utah Public Service Commission dated July 11, 1966.
2. Area served pursuant to Franchise ordinance/agreement for the town of Fillmore, Utah dated July 7, 1965.

- BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH -

In the Matter of the Application of
FLOWELL ELECTRIC ASSOCIATION,
INC., for a Certificate of Convenience
and Necessity.

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CASE NO. 5634

REPORT AND ORDER

Certificate of Convenience and Nec-
essity No. 1573

Submitted: July 11, 1966

Issued: October 4, 1966

Appearances:

Elliott Lee Pratt

For

Applicant

Robert B. Porter

"

Utah Power & Light Company
Protestant

By the Commission:

On August 26, 1965, Flowell Electric Association, Inc., hereinafter referred to as "Flowell", filed with the Public Service Commission of Utah, its petition and application for a certificate of public convenience and necessity to operate as a public utility in electric service in an area in Millard County, which area is more particularly described in Exhibit "A" attached to said application. The matter was set for hearing on July 11, 1966, and said hearing was preceded by proper notice given by mail and by publication. Utah Power & Light Company filed a written protest to the granting of said application. During the course of the hearing said protest was withdrawn. The Commission now having considered the evidence and being fully advised in the premises, makes this report, containing its Findings of Fact and Conclusions, and its Order based thereon.

FINDINGS OF FACT

1. The petitioner, Flowell Electric Association, Inc. is a non-profit cooperative corporation of the State of Utah, having incorporated on May 13, 1943,

CASE NO. 5634

-2-

to generate, manufacture, purchase, acquire and accumulate, as well as sell to its members, electric energy, and further, to transmit, distribute, furnish, sell and dispose of such electric energy to its members only. Prior to the hearing, Flowell amended its articles of incorporation to provide for service to members and consumers. Flowell is an electrical corporation and a public utility as those terms are defined in Chapter 2, Title 54, Utah Code Annotated, 1953, as amended by the 1965 Session of the Utah Legislature. As such, its operations and business are subject to the jurisdiction and regulation of this Commission.

2. The principal place of business of Flowell is at Fillmore, Utah. Flowell serves an area in Millard County in the vicinity of the towns of Fillmore, Meadow, and Kanosh, but excludes therefrom the said towns, which own and operate their own electric distribution systems. The area which Flowell has been and is now serving is described as follows:

The South one-half of Township 20 South, Range 5 West, Salt Lake Meridian.

All of Township 21 South, Range 4 West, Salt Lake Meridian.

All of Township 21 South, Range 5 West, Salt Lake Meridian.

All of Township 21 South, Range 6 West, Salt Lake Meridian.

All of Township 22 South, Range 5 West, Salt Lake Meridian, except for one customer served by Utah Power & Light Company in Section 14.

All of Township 22 South, Range 6 West, Salt Lake Meridian.

All of Township 23 South, Range 5 West, Salt Lake Meridian.

All of Township 23 South, Range 6 West, Salt Lake Meridian.

Excepted are the areas embraced within the present corporate municipal boundaries of Fillmore, Meadow, and Kanosh, respectively, which are located within the above described townships.

3. Flowell was granted a franchise by Millard County on July 7, 1965, authorizing it to use the present and future roads, highways and public grounds in Millard County for a period of fifty years for the exercise of its duties as a public

CASE NO. 5634

-3-

utility, which franchise is on file and in evidence in this case.

4. The inhabitants of the above-described area covered by this application are dependent upon Flowell for their electric service. No other electric public utility serves the area, with the particular exceptions described above, namely the towns of Fillmore, Meadow, and Kanosh, and a relay station served by Utah Power & Light Company.

5. The area described above is a reasonable area designation covering the existing system of Flowell, as well as the customers reasonably anticipated in the immediate future.

6. Flowell obtains its financing from the U. S. Government through the Rural Electrification Administration (REA) and is current in the repayment schedule required under the loan documents between Flowell and the REA. The balance sheet of Flowell as of May 31, 1966, indicates that it has long-term REA debt of \$347,606 and margins and equities of \$120,604. Section 54-4-25 of the 1953 Code, as amended by the 1965 Legislature, requires an electric utility applying for a certificate to serve others than the consumers which were being served by it on the effective date of such act, to have established a "ratio of debt capital to equity capital" which the Commission shall find renders the applicant financially stable. The foregoing figures show that Flowell has \$2.88 of debt for each \$1.00 of equity. Stated in a more conventional fashion, the total capitalization of \$468,210 consists of 74.24 per cent debt and 25.76 per cent equity. Flowell has made prepayments on its obligations to the REA in the sum of \$41,930, which is the equivalent of required payments for two years. Flowell has uncommitted loan funds available from REA of \$56,000. In addition, it has \$8,000 invested in REA 2 per cent bonds and \$40,000 in savings and loan time deposit accounts. Flowell is current in its payments of taxes assessed against it.

7. Flowell has a contract for the purchase of power from the Bureau of Reclamation and said source of power is adequate for service to the present area,

CASE NO. 5634

-4-

and reasonable expansions therefrom. Applicant's system is in good repair and is capable of furnishing satisfactory electric power and light service to its present consumers, and such additional consumers as at this time can be reasonably anticipated, within the area covered by the application.

8. Based upon the foregoing data the Commission finds that Flowell's debt-equity ratio is reasonable and that Flowell is financially stable and that under the circumstances the financing of this applicant is in the public interest within its service area. The Commission finds, further, that there is a present and future need for Flowell to continue serving its members and consumers in the area described above and that public convenience and Necessity will be subserved thereby.

CONCLUSION

From the foregoing findings, the Commission concludes that Flowell Electric Association, Inc. should be granted a certificate of convenience and necessity as prayed for in the application for the area described above. Flowell Electric Association, Inc. in receiving said certificate shall be subject to the jurisdiction and regulation of the Public Service Commission of Utah.

ORDER

NOW THEREFORE, IT IS HEREBY ORDERED, That Flowell Electric Association, Inc., be, and is hereby granted Certificate of Convenience and Necessity No. 1573 to operate as an electric utility in the following described area in Millard County:

The South one-half of Township 20 South, Range 5 West, Salt Lake Meridian.

All of Township 21 South, Range 4 West, Salt Lake Meridian.

All of Township 21 South, Range 5 West, Salt Lake Meridian.

All of Township 21 South, Range 6 West, Salt Lake Meridian.

All of Township 22 South, Range 5 West, Salt Lake Meridian, except for one customer served by Utah Power & Light Company in Section 14.

CASE NO. 5634

-5-

All of Township 22 South, Range 6 West, Salt Lake Meridian.

All of Township 23 South, Range 5 West, Salt Lake Meridian.

All of Township 23 South, Range 6 West, Salt Lake Meridian.

Excepted are the areas embraced within the present corporate municipal boundaries of Fillmore, Meadow, and Kanosh, respectively, which are located within the above described townships.

IT IS FURTHER ORDERED, That the electric service rendered by Flowell Electric Association, Inc. shall be in accordance with the rates, charges, rules and regulations on file with and approved by this Commission.

IT IS FURTHER ORDERED, That the certificate herein issued shall in no wise interfere with the right of Utah Power & Light Company to continue serving an existing customer in Section 14, Township 22 South, Range 5 West, Salt Lake Meridian, or to continue the operation of the transmission facilities now owned by it within the service area of Flowell Electric Association, Inc.

IT IS FURTHER ORDERED, That this Order shall be effective on and after the date hereof.

Dated at Salt Lake City, Utah, this 4th day of October, 1966.

/s/ Donald Hacking, Chairman

(SEAL)

/s/ Hal S. Bennett, Commissioner

/s/ D. Frank Wilkins, Commissioner

Attest:

/s/ C. R. Openshaw, Jr., Secretary

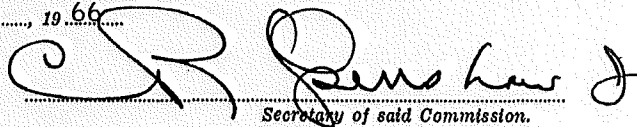
BEFORE THE PUBLIC SERVICE COMMISSION OF UTAH

STATE OF UTAH }
County of Salt Lake } ss.

I hereby certify that the foregoing consisting of..... Five.....pages numbered1... to5.....
inclusive, is a true and correct copy of the original..... Report and Order, issued October 4, 1966,.....
Case No. 5634, Flowell Electric Association, Inc.,.....

.....
.....
in the foregoing entitled matter or cause, now of record or on file in the office of the Public Service Commission
of Utah.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of said Commission this.....
.....4th..... day ofOctober....., 19 66.....


.....
Secretary of said Commission.

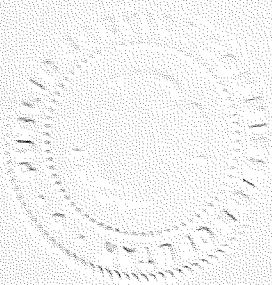


EXHIBIT B

DISTRIBUTION AND TRANSMISSION

RIGHTS-OF-WAY

1. All recorded and unrecorded utility rights-of-way, easements, prescriptive rights, licenses, permitted rights licenses, or permits on any or all real property wherever located, whether in Millard County, Utah or elsewhere.

EXHIBIT C

INVENTORY OF PURCHASED ASSETS

Purchased Assets include and are not limited to all of Seller's right, title, and interest in and to:

1. Any and all real and personal, tangible, and intangible property, rights, contracts, privileges, claims, whether accrued or unaccrued, belonging to Seller, such as:
 - a. Office buildings, substations, poles, wires, conductors, transformers, meters, vehicles, furnishings, tools, structures, improvements, wherever located;
 - b. Computers, software, intellectual property rights, claims, warranty rights, subscriptions, licenses, peripheral storage, or other devices;
 - c. Books, records, including corporate records, minutes, notes, ledgers, in whatever form and wherever located;
 - d. Rights to corporate names, trademarks, images, copyright, patents, memberships, customer files, billing files, or other items of any value whatsoever.
2. Robinson Substation equipment, interconnections, transformers, fences, gates, locks, poles, conductors, meters, testing equipment, tools, and other items located in, used in association with, or otherwise useful in the operation, possession, care, maintenance, construction, or use of the Robinson Substation.
3. The office building, warehouse, storage facility, yard, and other appurtenances located at 495 North, 3200 West, Fillmore, Utah.
4. All contracts and agreements between Flowell Electric Association, Inc. and Deseret Generation & Transmission Co-operative ("Deseret Power") or any affiliated entity of Deseret Power, including but not limited to:
 - a. Renewal Wholesale Power Contract dated January 1, 2017 as it may be amended from time to time;
 - b. Resource Integration Agreement dated April 1, 1996 as amended, modified, and extended from time to time;
 - c. Partial Assignment and Assumption Agreement dated October 1, 2018 related to Western Area Power Administration Contract No. 17-SLC-0920.

5. All contracts and agreements between Flowell Electric Association, Inc. and Intermountain Power Agency (“IPA”) and/or any purchaser(s) of power and/or energy from the Intermountain Power Project (“IPP Project”) located in or near Delta, Utah, including but not limited to:
 - a. Second Amendatory Power Sales Contract dated December 8, 2015, as it may be amended from time to time;
 - b. Agreement for Sale of Renewal Excess Power, dated May 15, 2017 among Flowell Electric Association, Inc. as one of the electing Utah Committed Original Purchasers, the California Excess Power Purchaser (as defined therein) and IPA; as it may be amended from time to time;
 - c. Power Sales Contract dated as of September 28, 1978 among Flowell Electric Association, Inc, as a Utah purchaser, and IPA;
 - d. Excess Power Sales Agreement dated December 1, 1980 among Flowell, as a Utah Purchaser, and certain California Purchasers (as defined therein); and
 - e. Other related agreements, consents, offers, understandings, memoranda of understanding, and arrangements between and among Flowell Electric Association, Inc. and one or more of IPA, California Purchaser(s), or other Purchasers under the various contractual arrangements related to the IPP Project and/or related transmission facilities and/or rights thereto.
6. All contracts and agreements between Flowell Electric Association, Inc. and PacifiCorp, Rocky Mountain Power, or any predecessor or affiliated company(ies), including without limitation:
 - a. Power Line Easement Agreement dated 21 November 2007, as amended from time to time.
7. All contracts and agreements between Flowell Electric Association, Inc. and the United States Department of Energy, Western Area Power Administration, including:
 - a. Contract No. 17-SLC-0920 dated October 1, 2018;
 - b. Contract No. 92-SLC-0194 dated September 29, 1992.
8. All contracts and agreements for transfer of electric distribution equipment and interconnection services or other agreements between Flowell Electric Association, Inc. and the Town of Kanosh, Utah, including the Agreement dated as of November 1, 2017

pertaining to, among other things, the Meadow/Kanosh Substation and other electric distribution plant and equipment.

9. The Related Agreements listed in Exhibit "J".

Seller has had access to Buyer's accounting and operating records and computerized system and Buyer hereby conveys to Buyer right to keep, possess, and continue to utilize all such records, including property inventory lists, financial statements, records, and other documents as part of the Purchased Assets conveyed hereunder.

EXHIBIT D

PURCHASED REAL PROPERTY

1. See attached legal descriptions.

00158676

Warranty Deed B: 457 P: 025 Fee \$14.00
Connie Hansen, Millard Recorder Page 1 of 3
10/23/2006 10:51:07 AM By FIRST AMERICAN TITLE INS AGY



Recording Requested by:
First American Title Insurance Agency, LLC
90 North Main Street
Fillmore, UT 84631
(435)743-6213

AFTER RECORDING RETURN TO:
Flowell Electric Association, Inc.
495 North 3200 West
Fillmore, UT 84631

SPACE ABOVE THIS LINE (3 1/2" X 5") FOR RECORDER'S USE

WARRANTY DEED

Escrow No. **360-4764868 (slk)**
A.P.N.: **a part of 7318**

Keyhole Ranch, LLC, Grantor, of **Fillmore, Millard** County, State of **UT**, hereby CONVEY AND WARRANT to

Flowell Electric Association, Inc., Grantee, of **Fillmore, Millard** County, State of **UT**, for the sum of Ten Dollars and other good and valuable considerations the following described tract(s) of land in **Millard** County, State of **Utah**:

See Exhibit "A" attached hereto and by reference made a part hereof.

Subject to easements, restrictions and rights of way appearing of record or enforceable in law and equity and general property taxes for the year **2007** and thereafter.

Witness, the hand(s) of said Grantor(s), this **October 20, 2006**.

Keyhole Ranch, LLC

By: Alden C. Robinson, Managing
Member

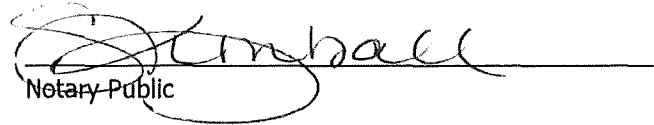
FIRST AMERICAN TITLE INSURANCE AGENCY
Millard County

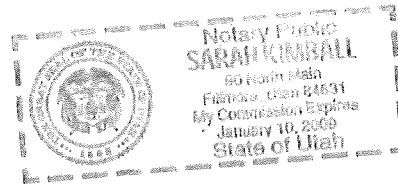
STATE OF UT)
County of Millard)ss.

On 10-20-06, before me, the undersigned Notary Public, personally appeared **Alden C. Robinson**, personally known to me (or proved to me on the basis of satisfactory evidence) to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies) and that by his/her/their signature(s) on the instrument the person(s) or the entity upon behalf of which the person(s) acted, executed the instrument.

WITNESS my hand and official seal.

My Commission Expires: 01-10-09


Notary Public



00158676

Warranty Deed B: 457 P: 026 Fee \$14.00
Connie Hansen, Millard Recorder Page 2 of 3
10/23/2006 10:51:07 AM By FIRST AMERICAN TITLE INS AGY



A.P.N.: a part of 7318

Warranty Deed - continued

File No.: 360-4764868 (slk)

EXHIBIT 'A'

BEGINNING AT A POINT 250 FEET WEST FROM THE NORTHEAST QUARTER OF SECTION 21, TOWNSHIP 21 SOUTH, RANGE 5 WEST, SALT LAKE BASE AND MERIDIAN, THENCE SOUTH 340 FEET; THENCE WEST 138 FEET; THENCE NORTH 340 FEET; THENCE EAST 138 FEET TO THE POINT OF BEGINNING. (A PART OF 7318)

EXCEPTING THEREFROM THAT PORTION LYING WITHIN THE BOUNDARIES OF THE STATE ROAD RIGHT OF WAY.

EXCEPTING THEREFROM ALL RIGHTS OF WAY, STOCK TRAILS, DITCHES AND CANALS GRAVEL PITS AND GRAVEL BEDS.

00158676

Warranty Deed B: 457 P: 027 Fee \$14.00
Connie Hansen, Millard Recorder Page 3 of 3
10/23/2006 10:51:07 AM By FIRST AMERICAN TITLE INS AGY



COMMITMENT FOR TITLE INSURANCE

ISSUED BY

First American Title Insurance Agency, LLC
90 North Main Street, Fillmore, UT 84631
Phone: (435)743-6213 | Fax: (866)464-4481

First American Title Insurance Agency, LLC
90 North Main Street
Fillmore, UT 84631

October 06, 2006
Order Number: 360-4764868

Attn: Sarah Kimball - Shonda Robison

FSBO
Attn:

October 06, 2006
Order Number: 360-4764868
Ref No.

Additional copies, if any, have been sent to the following parties:

RE: Flowell Electric Association, Inc.

We agree to issue a policy to you according to the terms of this Commitment. When we show the policy amount and your name as the proposed insured in Schedule A, this Commitment becomes effective as of the Commitment Date shown in Schedule A.

If the Requirements shown in this Commitment have not been met within six months after the Commitment Date, our obligation under this Commitment will end. Also, our obligation under this Commitment will end when the Policy is issued and then our obligation to you will be under the Policy.

Our obligation under this commitment is limited by the following: (1) The Provisions in Schedule A. (2) The Requirements in Schedule B-1. (3) The Exceptions in Schedule B-2. (4) The Conditions on the inside cover page.

The Commitment is not valid without SCHEDULE A and Sections 1 and 2 of SCHEDULE B.

Underwritten by:

First American Title Insurance Company

BY *Gary L. Kerubott* _____ PRESIDENT

ATTEST *Mark L. Arnesen* SECRETARY



SCHEDULE A

ESCROW/CLOSING INQUIRIES should be directed to your Escrow Officer: **Sarah Kimball at (435)743-6213 located at 90 North Main Street, Fillmore, UT 84631.**

Effective Date: **October 05, 2006** at 7:30 a.m.

1. Policy or (Policies) to be issued:
ALTA 1992 Standard Owner's for \$10,000.00 **PREMIUM \$200.00**

Proposed Insured:
Flowell Electric Association, Inc.
2. The estate or interest in the land described or referred to in this commitment and covered herein is fee simple and title thereto is at the effective date hereof vested in:

Keyhole Ranch, LLC

3. The land referred to in this Commitment is located in Millard County, UT and is described as:

BEGINNING AT A POINT 250 FEET WEST FROM THE NORTHEAST QUARTER OF SECTION 21, TOWNSHIP 21 SOUTH, RANGE 5 WEST, SALT LAKE BASE AND MERIDIAN, THENCE SOUTH 340 FEET; THENCE WEST 138 FEET; THENCE NORTH 340 FEET; THENCE EAST 138 FEET TO THE POINT OF BEGINNING. (A PART OF 7318)

EXCEPTING THEREFROM THAT PORTION LYING WITHIN THE BOUNDARIES OF THE STATE ROAD RIGHT OF WAY.

EXCEPTING THEREFROM ALL RIGHTS OF WAY, STOCK TRAILS, DITCHES AND CANALS GRAVEL PITS AND GRAVEL BEDS.

Said property is also known by the street address of:
Vacant Land, Millard County, UT

**SCHEDULE B - Section 1
Requirements**

The following are the requirements to be complied with:

- (A) Pay the agreed amounts for interest in the land and/or the mortgage or deed of trust to be insured.
- (B) Pay us the premiums, fees and charges for the policy. In the event the transaction for which this commitment is furnished cancels, the minimum cancellation fee will be \$100.00.
- (C) Provide us with releases, reconveyances or other instruments, acceptable to us, including payment of any amounts due, removing the encumbrances shown in Schedule B-2 that are objectionable to the proposed insured.
- (D) Provide us with copies of appropriate agreements, resolutions, certificates, or other evidence needed to identify the parties authorized to execute the documents creating the interest to be insured.
- (E) The documents creating the interest to be insured must be signed, delivered and recorded.
- (F) You must tell us, in writing, the name of anyone not referred to in this Commitment who will receive an interest in, or who will make a loan secured by a deed of trust or mortgage secured by, the land described in this Commitment.
- (G) After we have received the information requested in these requirements, together with any other information about the transaction, we will have the right to add requirements to this Schedule B-1 or special exceptions to Schedule B-2.
- (H) Provide us with any information regarding personal property taxes which may have been assessed or are due and payable which could become a lien on the real property.

SCHEDULE B - Section 2
Exceptions

Any policy we issue will have the following exceptions unless they are taken care of to our satisfaction.

1. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records.
2. Any facts, rights, interest or claims which are not shown by the public records but which could be ascertained by an inspection of said land or by making inquiry of persons in possession thereof.
3. Easements, claims of easements or encumbrances which are not shown by the public records.
4. Discrepancies, conflicts in boundary lines, shortage in area, encroachments and any other facts which a correct survey would disclose, and which are not shown by public records.
5. Unpatented mining claims; reservations or exceptions in patents or in Acts authorizing the issuance thereof, water rights, claims or title to water.
6. Any lien, or right to a lien, for services, labor or material heretofore or hereafter furnished, imposed by law and not shown by the public records.
7. Defects, liens, encumbrances, adverse claims or other matters, if any, created, first appearing in the public records or attaching subsequent to the effective date hereof but prior to the date the proposed insured acquires of record for value the estate or interest or mortgage thereon covered by this commitment.

Exceptions 1-7 will be omitted on extended coverage loan policy

8. Taxes for the year 2006 now a lien, not yet due. Tax Parcel No. a part of 7318

2005 general property taxes were paid in the amount of \$13.69. Tax Parcel No. a part of 7318

General property taxes for the year 2006 are estimated in the amount of \$14.66, subject to certification by the County.
9. The effect of the 1969 Farmland Assessment Act for which Application for Assessment and Taxation of Agricultural Land has been filed wherein there is a five (5) year roll-back provision with regard to assessment and taxation.

10. Right of way for a County Road, and incidental purposes as said road now exists.
11. Controlled Access from the State Highway, as Contemplated by Title 27, Chapter 12, Section 96, Utah Code Annotated, 1953, as amended.
12. An All-Inclusive Deed of Trust dated February 2, 2000 by and between Keyhole Ranch, LLC as Trustor in favor of First American Title Insurance Agency, Inc. as Trustee and Leah C. Robinson, Trustee of the Ralph A. Robinson Living Trust executed March 31, 1983 as Beneficiary, to secure an original indebtedness of \$524,450.00 and any other amounts or obligations secured thereby, recorded February 7, 2000 as Entry No. 129185 in Book 350 at Page 195 of Official Records.

The name(s) Keyhole Ranch, LLC and Flowell Electric Association, Inc., has/have been checked for judgments, State and Federal tax liens, and bankruptcies and if any were found, are disclosed herein.

Chain of Title

According to Official Records, there have been no documents conveying the land described herein within a period of 24 months prior to the date of this commitment, except as follows:

<u>Document</u>	<u>Grantor</u>	<u>Grantee</u>	<u>Rec Date</u>	<u>Entry No.</u>	<u>Book</u>	<u>Page</u>
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NONE

Title inquiries should be directed to Jaren A. Larsen @ (435)743-6213.

NOTE: The policy(ies) to be issued as a result of this Commitment contain an Arbitration Clause set forth in the Conditions/Conditions and Stipulations Section. The following is included for the information of the proposed insured(s):

Any matter in dispute between you and the company may be subject to arbitration as an alternative to court action pursuant to the rules of the American Arbitration Association or other recognized arbitrator, a copy of which is available on request from the company. Any decision reached by arbitration shall be binding upon both you and the company. The arbitration award may include attorney's fees if allowed by state law and may be entered as a judgment in any court of proper jurisdiction.

No. 360-4764868

In the event the transaction for which this commitment was ordered "cancels", please refer to Paragraph B under Schedule B, Section 1 for required cancellation fee.

CONDITIONS

1. DEFINITIONS

- (a) "Mortgage" means mortgage, deed of trust or other security instrument.
- (b) "Public Records" means title records that give constructive notice of matters affecting the title according to the state law where the land is located.

2. LATER DEFECTS

The Exceptions in Schedule B may be amended to show any defects, liens or encumbrances that appear for the first time in the public records or are created or attached between the Commitment Date and the date on which all of the Requirements are met. We shall have no liability to you because of this amendment.

3. EXISTING DEFECTS

If any defects, liens or encumbrances existing at Commitment Date are not shown in Schedule B, we may amend Schedule B to show them. If we do amend Schedule B to show these defects, liens or encumbrances, we shall be liable to you according to Paragraph 4 below unless you knew of this information and did not tell us about it in writing.

4. LIMITATION OF OUR LIABILITY

Our only obligation is to issue to you the Policy referred to in this Commitment, when you have met its Requirements. If we have any liability to you for any loss you incur because of an error in this Commitment, our liability will be limited to your actual loss caused by your relying on this Commitment when you acted in good faith to:

comply with the Requirements

or

eliminate with our written consent any Exceptions shown in Schedule B

We shall not be liable for more than the Amount shown in Schedule A of this Commitment and our liability is subject to the terms of the Policy form to be issued to you.

5. CLAIMS MUST BE BASED ON THIS COMMITMENT

Any claims, whether or not based on negligence, which you may have against us concerning the title to the land must be based on this Commitment and is subject to its terms



First American

**First American Title Insurance Agency, LLC
The First American Corporation**

PRIVACY POLICY

We Are Committed to Safeguarding Customer Information

In order to better serve your needs now and in the future, we may ask you to provide us with certain information. We understand that you may be concerned about what we will do with such information - particularly any personal or financial information. We agree that you have a right to know how we will utilize the personal information you provide to us. Therefore, together with our parent company, The First American Corporation, we have adopted this Privacy Policy to govern the use and handling of your personal information.

Applicability

This Privacy Policy governs our use of the information which you provide to us. It does not govern the manner in which we may use information we have obtained from any other source, such as information obtained from public records or from another person or entity. First American has also adopted broader guidelines that govern our use of personal information regardless of its source. First American calls these guidelines its *Fair Information Values*, a copy of which can be found on our web site at www.firstam.com.

Types of Information

Depending upon which of our services you are utilizing, the types of nonpublic personal information that we may collect include:

- Information we receive from you on applications, forms and in other communications to us, whether in writing, in person, by telephone or any other means;
- Information about your transactions with us, our affiliated companies, or others; and
- Information we receive from a consumer reporting agency.

Use of Information

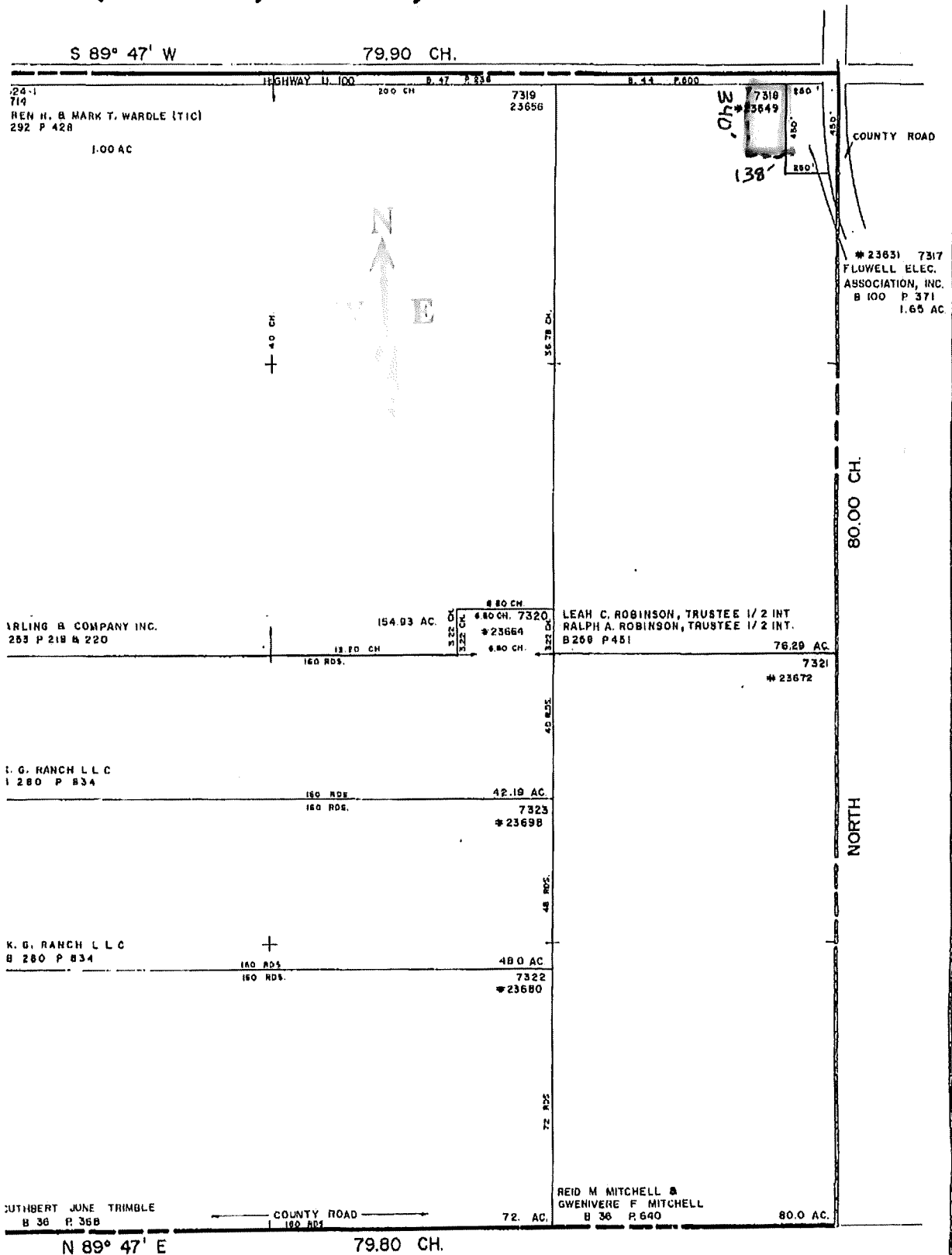
We request information from you for our own legitimate business purposes and not for the benefit of any nonaffiliated party. Therefore, we will not release your information to nonaffiliated parties except: (1) as necessary for us to provide the product or service you have requested of us; or (2) as permitted by law. We may, however, store such information indefinitely, including the period after which any customer relationship has ceased. Such information may be used for any internal purpose, such as quality control efforts or customer analysis. We may also provide all of the types of nonpublic personal information listed above to one or more of our affiliated companies. Such affiliated companies include financial services providers, such as title insurers, property and casualty insurers, and trust and investment advisory companies, or companies involved in real estate services, such as appraisal companies, home warranty companies, and escrow companies. Furthermore, we may also provide all information we collect, as described above, to companies that perform marketing services on our behalf, on behalf of our affiliated companies, or to other financial institutions with whom we or our affiliated companies have joint marketing agreements.

Former Customers

Even if you are no longer our customer, our Privacy Policy will continue to apply.

Confidentiality and Security

We will use our best efforts to ensure that no unauthorized parties have access to any of your information. We restrict access to nonpublic personal information about you to those individuals and entities who need to know that information to provide products and services to you. We will use our best efforts to train and oversee our employees and agents to ensure that your information will be handled responsibly and in accordance with this Privacy Policy and First American's *Fair Information Values*. We currently maintain physical, electronic, and procedural safeguards that comply with federal regulations to guard your nonpublic personal information.



U.S.T.C. approval Date	PLAT DEPARTMENT MILLARD COUNTY, UTAH	Section 21 T21S R5W drawn by: A. L. date: 9-7-79	book page scale 1" = 400'
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First American

First American Title Insurance Agency, LLC
90 North Main Street
Fillmore, UT 84631
Phn - (435)743-6213
Fax - 1-(866)464-4481

Flowell Electric Association, Inc.
495 North 3200 West
Fillmore, UT 84631

October 09, 2006
Escrow No: 360-4764868 (slk)

Re: Seller: Keyhole Ranch, LLC
Buyer: Flowell Electric Association, Inc.
Property: Vacant Land,
Millard County, Utah

Enclosed is your copy of the Commitment for Title Insurance. The Commitment is our agreement to issue the Policy of Title Insurance upon closing.

Commitment for Title Insurance

Copies of Schedule B items, including Plat Map and Covenants, Conditions and Restrictions (CC&R's), if any.

Privacy Policy of First American Title

The Commitment has three sections:

- **Schedule A** indicates the dollar amount of insurance to be issued, type of policy, parties to be insured and subject property.
- **Schedule B** shows the items excluded from insurance coverage.
- The **REQUIREMENT** section shows what currently affects the property that must be removed, satisfied or otherwise eliminated at the closing to place the property into the condition agreed upon by Seller and Buyer. We will facilitate the satisfaction of these requirements, and may require your assistance.

Should you have any questions regarding this matter, please do not hesitate to contact me at the phone number referenced above.

Shonda Robison, Assistant for
Sarah Kimball
Escrow Officer
skimball@firstam.com

SR/SR



First American

Title Transmittal

Dated: December 6, 2006

Flowell Electric Association, Inc.
495 North 3200 West
Fillmore , UT , 84631

Loan #

RE: 360 4764868
Flowell Electric Association, Inc.
Vacant Land
Millard County UT

Please find enclosed Policy of Title Insurance

Sarah Kimball
Escrow Officer

560 South 300 East Salt Lake City, Utah 84111-3509
TEL: (801)578-8888 FAX: (801)355-1911

Form No. 1402.92
(10/17/92)
ALTA Owner's Policy

POLICY OF TITLE INSURANCE

ISSUED BY

First American Title Insurance Company

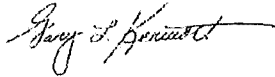
SUBJECT TO THE EXCLUSIONS FROM COVERAGE, THE EXCEPTIONS FROM COVERAGE CONTAINED IN SCHEDULE B AND THE CONDITIONS AND STIPULATIONS, FIRST AMERICAN TITLE INSURANCE COMPANY, a California corporation, herein called the Company, insures, as of Date of Policy shown in Schedule A, against loss or damage, not exceeding the Amount of Insurance stated in Schedule A, sustained or incurred by the insured by reason of:

1. Title to the estate or interest described in Schedule A being vested other than as stated therein;
2. Any defect in or lien or encumbrance on the title;
3. Unmarketability of the title;
4. Lack of a right of access to and from the land.

The Company will also pay the costs, attorneys' fees and expenses incurred in defense of the title, as insured, but only to the extent provided in the Conditions and Stipulations.

First American Title Insurance Company

By:



President

Attest:



Secretary



Form No. 1402.92
(10/17/92)
ALTA Owner's Policy

SCHEDULE OF EXCLUSIONS FROM COVERAGE

The following matters are expressly excluded from the coverage of this policy and the Company will not pay loss or damage, costs, attorneys' fees or expenses which arise by reason of:

1. (a) Any law, ordinance or governmental regulation (including but not limited to building and zoning laws, ordinances, or regulations) restricting, regulating, prohibiting or relating to (i) the occupancy, use, or enjoyment of the land; (ii) the character, dimensions or location of any improvement now or hereafter erected on the land; (iii) a separation in ownership or a change in the dimensions or area of the land or any parcel of which the land is or was a part of; or (iv) environmental protection, or the effect of any violation of these laws, ordinances or governmental regulations, except to the extent that a notice of the enforcement thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
- (b) Any governmental police power not excluded by (a) above, except to the extent that a notice of the exercise thereof or a notice of a defect, lien or encumbrance resulting from a violation or alleged violation affecting the land has been recorded in the public records at Date of Policy.
2. Rights of eminent domain unless notice of the exercise thereof has been recorded in the public records at Date of Policy, but not excluding from coverage any taking which has occurred prior to Date of Policy which would be binding on the rights of a purchaser for value without knowledge.
3. Defects, liens, encumbrances, adverse claims or other matters:
 - (a) created, suffered, assumed or agreed to by the insured claimant;
 - (b) not known to the Company, not recorded in the public records at Date of Policy, but known to the insured claimant and not disclosed in writing to the Company by the insured claimant prior to the date the insured claimant became an insured under this policy;
 - (c) resulting in no loss or damage to the insured claimant;
 - (d) attaching or created subsequent to Date of Policy;
 - (e) resulting in loss or damage which would not have been sustained if the insured claimant has paid value for the estate or interest insured by this policy.
4. Any claim, which arises out of the transaction vesting in the Insured the estate or interest insured by this policy, by reason of the operation of federal bankruptcy, state insolvency, or similar creditors' rights laws, that is based on:
 - (i) the transaction creating the estate or interest insured by this policy being deemed a fraudulent conveyance or fraudulent transfer; or
 - (ii) the transaction creating the estate or interest insured by this policy being deemed a preferential transfer except where the preferential transfer results from the failure:
 - (a) to timely record the instrument of transfer; or
 - (b) of such recordation to impart notice to a purchaser for value or a judgment or lien creditor.

First American Title Insurance Agency

SCHEDULE A

Type of Coverage: **ALTA Standard Owner's (1992)**

Amount of Insurance **\$10,000.00**

Date of Policy: October 23, 2006
 To and include 10:51 P.M.

1. Name of Insured:

Flowell Electric Association, Inc.

2. The estate or interest in the land which is covered by this Policy is fee simple.

3. Title to the estate or interest in the land is vested in:

Flowell Electric Association, Inc.

4. The land referred to in this policy is situated in the State of Utah, County of Millard and described as follows:

SEE EXHIBIT " A " ATTACHED HEREIN

EXHIBIT "A"

BEGINNING AT A POINT 250 FEET WEST FROM THE NORTHEAST QUARTER OF SECTION 21, TOWNSHIP 21 SOUTH, RANGE 5 WEST, SALT LAKE BASE AND MERIDIAN, THENCE SOUTH 340 FEET; THENCE WEST 138 FEET; THENCE NORTH 340 FEET; THENCE EAST 138 FEET TO THE POINT OF BEGINNING. (A PART OF 7318)

EXCEPTING THEREFROM THAT PORTION LYING WITHIN THE BOUNDARIES OF THE STATE ROAD RIGHT OF WAY.

EXCEPTING THEREFROM ALL RIGHTS OF WAY, STOCK TRAILS, DITCHES AND CANALS GRAVEL PITS AND GRAVEL BEDS.

SCHEDULE B

This policy does not insure against loss or damage, nor against costs, attorneys' fees or expenses, any or all of which arise by reason of the following:

PART ONE:

1. Taxes or assessments which are not shown as existing liens by the records of any taxing authority that levies taxes or assessments on real property or by the public records.

Proceedings by a public agency which may result in taxes or assessments, or notices of such proceedings, whether or not shown by the records of such agency or by the public records.
2. Any facts, rights, interests or claims which are not shown by the public records but which could be ascertained by an inspection of the land or by making inquiry of persons in possession thereof.
3. Easements, liens, or encumbrances, or claims thereof, which are not shown by the public records.
4. Discrepancies, conflicts in boundary lines, shortage in area, encroachments, or any other facts which a correct survey would disclose, and which are not shown by the public records.
5. (a) Unpatented mining claims; (b) reservations or exceptions in patents or in Acts authorizing the issuance thereof; (c) water rights, claims or title to water; whether or not the aforementioned matters excepted are shown by the public records.
6. Any lien, or right to a lien, for services, labor or material heretofore or hereafter furnished, imposed by law and not shown by the public records.

SCHEDULE B

PART TWO:

1. Taxes for the year 2006 now a lien, not yet due. Tax Parcel No. a part of 7318

2005 general property taxes were paid in the amount of \$13.69. Tax Parcel No. a part of 7318

General property taxes for the year 2006 are estimated in the amount of \$14.66, subject to certification by the County.
2. The effect of the 1969 Farmland Assessment Act for which Application for Assessment and Taxation of Agricultural Land has been filed wherein there is a five (5) year roll-back provision with regard to assessment and taxation.
3. Right of way for a County Road, and incidental purposes as said road now exists.
4. Controlled ACcess from the State Highway, as Contemplated by Title 27, Chapter 12, Section 96, Utah Code Annotated, 1953, as amended.

End of Schedule B - Part II

Form No. 1402.92
0/17/92)
LTA Owner's Policy

CONDITIONS AND STIPULATIONS

DEFINITION OF TERMS

The following terms when used in this policy mean:

(a) "insured": the insured named in Schedule A, and, subject to any rights or defenses the Company could have had against the named insured, those who succeed to the interest of the named insured by operation of law as distinguished from purchase including, but not limited to, heirs, distributees, devisees, survivors, personal representatives, next of kin, or corporate or fiduciary successors.

(b) "insured claimant": an insured claiming loss or damage.

(c) "knowledge" or "known": actual knowledge, or constructive knowledge or notice which may be imputed to an insured by reason of the public records defined in this policy or any other records which impart constructive notice of matters affecting the land.

(d) "land": the land described or referred to in Schedule A, and improvements affixed thereto which by law constitute real property. The term "land" does not include any property beyond the lines of the area described or referred to in Schedule A, nor any right, lease, interest, estate or easement in abutting streets, roads, avenues, alleys, lanes, ways or waterways, but nothing herein shall modify or limit the extent to which right of access to and from the land is insured by this policy.

(e) "mortgage": mortgage, deed of trust, trust deed, or other security instrument.

(f) "public records": records established under state statutes at Date of Policy for the purpose of imparting constructive notice of matters relating to real property to purchasers for value and without knowledge. With respect to Section 1(a)(iv) of the exclusions From Coverage, "public records" shall also include environmental protection liens filed in the records of the clerk of the United States district court for the district in which the land is located.

(g) "unmarketability of the title": an alleged or apparent matter affecting the title to the land, not excluded or excepted from coverage, which would entitle a purchaser of the estate or interest described in Schedule A to be released from the obligation to purchase by virtue of a contractual condition requiring delivery of marketable title.

CONTINUATION OF INSURANCE AFTER CONVEYANCE OF TITLE.

The coverage of this policy shall continue in force from Date of Policy in favor of an insured only so long as the insured retains an estate or interest in the land, or holds an indebtedness secured by a purchase money mortgage given by a purchaser from the insured, or only so long as the insured shall have liability by reason of covenants of warranty made by the insured in any transfer or conveyance of the estate or interest. This policy shall not continue in force in favor of any purchaser from the insured of either (i) an estate or interest in the land, or (ii) an indebtedness secured by a purchase money mortgage given to the insured.

NOTICE OF CLAIM TO BE GIVEN BY INSURED CLAIMANT.

The insured shall notify the Company promptly in writing (i) in case of any litigation as set forth in Section 4(a) below, (ii) in case knowledge shall come to an insured hereunder of any claim of title or interest which is adverse to the title to the estate or interest, as insured, and which might cause loss or damage for which the Company may be liable by virtue of this policy, or (iii) if title to the estate or interest, as insured, is rejected as unmarketable. If prompt notice shall not be given to the Company, then as to the insured all liability of the Company shall terminate with regard to the matter or matters for which prompt notice is required; provided, however, that failure to notify the Company shall in no case prejudice the rights of any insured under this policy unless the Company shall be prejudiced by the failure and then only to the extent of the prejudice.

4. DEFENSE AND PROSECUTION OF ACTIONS; DUTY OF INSURED CLAIMANT TO COOPERATE.

(a) Upon written request by the insured and subject to the options contained in Section 6 of these Conditions and Stipulations, the Company, at its own cost and without unreasonable delay, shall provide for the defense of an insured in litigation in which any third party asserts a claim adverse to the title or interest as insured, but only as to those stated causes of action alleging a defect, lien or encumbrance or other matter insured against by this policy. The Company shall have the right to select counsel of its choice (subject to the right of the insured to object for reasonable cause) to represent the insured as to those stated causes of action and shall not be liable for and will not pay the fees of any other counsel. The Company will not pay any fees, costs or expenses incurred by the insured in the defense of those causes of action which allege matters not insured against by this policy.

(b) The Company shall have the right, at its own cost, to institute and prosecute any action or proceeding or to do any other act which in its opinion may be necessary or desirable to establish the title to the estate or interest, as insured, or to prevent or reduce loss or damage to the insured. The Company may take any appropriate action under the terms of this policy, whether or not it shall be liable hereunder, and shall not thereby concede liability or waive any provision of this policy. If the Company shall exercise its rights under this paragraph, it shall do so diligently.

(c) Whenever the Company shall have brought an action or interposed a defense as required or permitted by the provisions of this policy, the Company may pursue any litigation to final determination by a court of competent jurisdiction and expressly reserves the right, in its sole discretion, to appeal from any adverse judgment or order.

(d) In all cases where this policy permits or requires the Company to prosecute or provide for the defense of any action or proceeding, the insured shall secure to the Company the right to so prosecute or provide defense in the action or proceeding, and all appeals therein, and permit the Company to use, at its option, the name of the insured for this purpose.

Whenever requested by the Company, the insured, at the Company's expense, shall give the Company all reasonable aid (i) in any action or proceeding, securing evidence, obtaining witnesses, prosecuting or defending the action or proceeding, or effecting settlement, and (ii) in any other lawful act which in the opinion of the Company may be necessary or desirable to establish the title to the estate or interest as insured. If the Company is prejudiced by the failure of the insured to furnish the required cooperation, the Company's obligations to the insured under the policy shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation, with regard to the matter or matters requiring such cooperation.

5. PROOF OF LOSS OR DAMAGE.

In addition to and after the notices required under Section 3 of these Conditions and Stipulations have been provided the Company, a proof of loss or damage signed and sworn to by the insured claimant shall be furnished to the Company within 90 days after the insured claimant shall ascertain the facts giving rise to the loss or damage. The proof of loss or damage shall describe the defect in, or lien or encumbrance on the title, or other matter insured against by this policy which constitutes the basis of loss or damage and shall state, to the extent possible, the basis of calculating the amount of the loss or damage. If the Company is prejudiced by the failure of the insured claimant to provide the required proof of loss or damage, the Company's obligations to the insured under the policy shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation, with regard to the matter or matters requiring such proof of loss or damage.

In addition, the insured claimant may reasonably be required to submit to examination under oath by any authorized representative of the Company and shall produce for examination, inspection and copying, at such reasonable times and places as may be designated by any authorized representative of the Company, all records, books, ledgers, checks, correspondence and memoranda, whether bearing a date before or after Date of Policy, which reasonably pertain to the loss or damage. Further, if requested by any authorized representative of the Company, the insured claimant shall grant its permission, in writing, for any authorized representative of the Company to examine, inspect and copy all records, books, ledgers, checks, correspondence and memoranda in the custody or control of a third party, which reasonably pertain to the loss or damage. All information designated as confidential by the insured claimant provided to the Company pursuant to this Section shall not be disclosed to others unless, in the reasonable judgment of the Company, it is necessary in the administration of the claim. Failure of the insured claimant to submit for examination under oath, produce other reasonably requested information or grant permission to secure reasonably necessary information from third parties as required in this paragraph shall terminate any liability of the Company under this policy as to that claim.

OPTIONS TO PAY OR OTHERWISE SETTLE CLAIMS; TERMINATION OF LIABILITY.

In case of a claim under this policy, the company shall have the following additional options:

(a) To Pay or Tender Payment of the Amount of Insurance.

To pay or tender payment of the amount of insurance under this policy together with any costs, attorneys' fees and expenses incurred by the insured claimant, which were authorized by the Company, up to the time of payment or tender of payment and which the Company is obligated to pay.

Upon the exercise by the Company of this option, all liability and obligations to insured under this policy, other than to make the payment required, shall terminate, including any liability or obligation to defend, prosecute, or continue any litigation, and the policy shall be surrendered to the Company for cancellation.

(b) To Pay or Otherwise Settle With Parties Other than the Insured or With the Insured Claimant.

(i) to pay or otherwise settle with other parties for or in the name of an insured claimant by claim insured against under this policy, together with any costs, attorneys' fees and expenses incurred by the insured claimant which were authorized by the company up to the time of payment and which the company is obligated to pay; or

(ii) to pay or otherwise settle with the insured claimant the loss or damage provided for under this policy, together with any costs, attorneys' fees and expenses incurred by the insured claimant which were authorized by the Company up to the time of payment and which the Company is obligated to pay.

Upon the exercise by the Company of either of the options provided for in paragraphs (b) (i) or (ii), the Company's obligations to the insured under this policy for the claimed loss or damage, other than the payments required to be made, shall terminate, including any liability or obligation to defend, prosecute or continue any litigation.

DETERMINATION, EXTENT OF LIABILITY AND COINSURANCE.

This policy is a contract of indemnity against actual monetary loss or damage sustained or incurred by the insured claimant who has suffered loss or damage by reason of matters insured against by this policy and only to the extent herein described.

(a) The liability of the Company under this policy shall not exceed the least of:

(i) the Amount of Insurance stated in Schedule A;

(ii) the difference between the value of the insured estate or interest as insured and the value of the insured estate or interest subject to the defect, or encumbrance insured against by this policy.

(b) In the event the Amount of Insurance stated in Schedule A at the Date of Policy is less than 80 percent of the value of the insured estate or interest or the full consideration paid for the land, whichever is

less, or if subsequent to the Date of Policy an improvement is erected on the land which increases the value of the insured estate or interest by at least 20 percent over the Amount of Insurance stated in Schedule A, then this Policy is subject to the following:

(i) where no subsequent improvement has been made, as to any partial loss, the Company shall only pay the loss pro rata in the proportion that the amount of insurance at Date of Policy bears to the total value of the insured estate or interest at Date of Policy; or (ii) where a subsequent improvement has been made, as to any partial loss, the Company shall only pay the loss pro rata in the proportion that 120 percent of the Amount of Insurance stated in Schedule A bears to the sum of the Amount of Insurance stated in Schedule A and the amount expended for the improvement. The provisions of this paragraph shall not apply to costs, attorneys' fees and expenses for which the Company is liable under this policy, and shall only apply to that portion of any loss which exceeds, in the aggregate, 10 percent of the Amount of Insurance stated in Schedule A.

(c) The Company will pay only those costs, attorneys' fees and expenses incurred in accordance with Section 4 of these Conditions and Stipulations.

8. APPORTIONMENT.

If the land described in Schedule (A) (C) consists of two or more parcels which are not used as a single site, and a loss is established affecting one or more of the parcels but not all, the loss shall be computed and settled on a pro rata basis as if the amount of insurance under this policy was divided pro rata as to the value on Date of Policy of each separate parcel to the whole, exclusive of any improvements made subsequent to Date of Policy, unless a liability or value has otherwise been agreed upon as to each parcel by the Company and the insured at the time of the issuance of this policy and shown by an express statement or by an endorsement attached to this policy.

9. LIMITATION OF LIABILITY.

(a) If the Company establishes the title, or removes the alleged defect, lien or encumbrance, or cures the lack of a right of access to or from the land, or cures the claim of unmarketability of title, all as insured, in a reasonably diligent manner by any method, including litigation and the completion of any appeals therefrom, it shall have fully performed its obligations with respect to that matter and shall not be liable for any loss or damage caused thereby.

(b) In the event of any litigation, including litigation by the Company or with the Company's consent, the Company shall have no liability for loss or damage until there has been a final determination by a court of competent jurisdiction, and disposition of all appeals therefrom, adverse to the title as insured.

(c) The Company shall not be liable for loss or damage to any insured for liability voluntarily assumed by the insured in settling any claim or suit without the prior written consent of the Company.

10. REDUCTION OF INSURANCE; REDUCTION OR TERMINATION OF LIABILITY.

All payments under this policy, except payments made for costs, attorneys' fees and expenses, shall reduce the amount of the insurance pro tanto.

11. LIABILITY NONCUMULATIVE.

It is expressly understood that the amount of insurance under this policy shall be reduced by any amount the Company may pay under any policy insuring a mortgage to which exception is taken in Schedule B or to which the insured has agreed, assumed, or taken subject, or which is hereafter executed by an insured and which is a charge or lien on the estate or interest described or referred to in Schedule A, and the amount so paid shall be deemed a payment under this policy to the insured owner.

12. PAYMENT OF LOSS.

(a) No payment shall be made without producing this policy for endorsement of the payment unless the policy has been lost or destroyed, in which case proof of loss or destruction shall be furnished to the satisfaction of the Company.

(b) When liability and the extent of loss or damage has been definitely fixed in accordance with these Conditions and Stipulations, the loss or damage shall be payable within 30 days thereafter.

13. SUBROGATION UPON PAYMENT OR SETTLEMENT.

(a) The Company's Right of Subrogation.

Whenever the Company shall have settled and paid a claim under this policy, all right of subrogation shall vest in the Company unaffected by any act of the insured claimant.

The Company shall be subrogated to and be entitled to all rights and remedies which the insured claimant would have had against any person or property in respect to the claim had this policy not been issued. If requested by the Company, the insured claimant shall transfer to the Company all rights and remedies against any person or property necessary in order to perfect this right of subrogation. The insured claimant shall permit the Company to sue, compromise or settle in the name of the insured claimant and to use the name of the insured claimant in any transaction or litigation involving these rights or remedies.

If a payment on account of a claim does not fully cover the loss of the insured claimant, the Company shall be subrogated to these rights and remedies in the proportion which the Company's payment bears to the whole amount of the loss.

If loss should result from any act of the insured claimant, as stated above, that act shall not void this policy, but the Company, in that event, shall be required to pay only that part of any losses insured against by this policy which shall exceed the amount, if any, lost to the Company by reason of the impairment by the insured claimant of the Company's right of subrogation.

(b) The Company's Rights Against Non-insured Obligors.

The Company's right of subrogation against non-insured obligors shall exist and shall include, without limitation, the rights of the insured to indemnities, warranties, other policies of insurance or bonds, notwithstanding any terms or conditions contained in those instruments which provide for subrogation rights by reason of this policy.

I. ARBITRATION

Unless prohibited by applicable law, either the company or the insured may demand arbitration pursuant to the Title Insurance Arbitration Rules of the American Arbitration Association. Arbitrable matters may include, but are not limited to, any controversy or claim between the Company and the insured arising out of or relating to this policy, any service of the Company in connection with its issuance or the breach of a policy provision or other obligation. All arbitrable matters when the Amount of Insurance is \$1,000,000 or less shall be arbitrated at the option of either the Company or the insured. All arbitrable matters when the Amount of Insurance is in excess of \$1,000,000 shall be arbitrated only when agreed to by both the Company

and the insured. Arbitration pursuant to this policy and under the Rules in effect on the date the demand for arbitration is made or, at the option of the insured, the Rules in effect at Date of Policy shall be binding upon the parties. The award may include attorneys' fees only if the laws of the state in which the land is located permit a court to award attorneys' fees to a prevailing party. Judgment upon the award rendered by the Arbitrator(s) may be entered in any court having jurisdiction thereof.

The law of the situs of the land shall apply to an arbitration under the Title Insurance Arbitration Rules.

A copy of the Rules may be obtained from the Company upon request.

15. LIABILITY LIMITED TO THIS POLICY; POLICY ENTIRE CONTRACT.

(a) This policy together with all endorsements, if any, attached hereto by the Company is the entire policy and contract between the insured and the Company. In interpreting any provision of this policy, this policy shall be construed as a whole.

(b) Any claim of loss or damage, whether or not based on negligence, and which arises out of the status of the title to the estate or interest covered hereby or

by any action asserting such claim, shall be restricted to this policy.

(c) No amendment of or endorsement to this policy can be made except by a writing endorsed hereon or attached hereto signed by either the President, a Vice President, the Secretary, an Assistant Secretary, or validating officer or authorized signatory of the Company.

16. SEVERABILITY.

In the event any provision of the policy is held invalid or unenforceable under applicable law, the policy shall be deemed not to include that provision and all other provisions shall remain in full force and effect.

17. NOTICES, WHERE SENT

All notices required to be given the Company and any statement in writing required to be furnished the Company shall include the number of this policy and shall be addressed to the Company at 1 First American Way, Santa Ana, California 92707, or to the office which issued this policy.



First American

**First American Title Insurance Agency
560 South 300 East
Salt Lake City, UT 84111-3509**

**Flowell Electric Association, Inc.
495 North 3200 West
Fillmore, UT 84631**

December 04, 2006

Title Officer:
Phone:

Order Number: **360-4764868**

Escrow Officer: **Sarah Kimball**
Phone: **(435)743-6213**

Property: **Vacant Land
Millard County, UT**

Attached please find the following item(s):

Policy of Title Insurance

Thank you for your confidence and support. We at First American Title Insurance Agency maintain the fundamental principle:

Customer First!
First American Title

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12/21/2007 01:00:36 PM

Page 1 of 11

By FLOWELL ELECTRIC ASSN

Recording Requested by and
When Recorded, Mail To:

David F. Crabtree, Esq.
10714 South Jordan Gateway
South Jordan, Utah 84095

(Space above for Recorder's use only)

POWER LINE EASEMENT AGREEMENT

This Power Line Easement Agreement ("Agreement") is entered into this 21st day of November 2007, by and between ROCKY MOUNTAIN POWER, a division of PacifiCorp, an Oregon corporation, with an office located at 1407 West North Temple, Salt Lake City, Utah 84140 ("Grantor") and FLOWELL ELECTRIC ASSOCIATION, a Utah non-profit corporation, with an office located at 495 North 3200 West, HC 61 180, Fillmore, UT 84631 ("Grantee").

RECITALS

A. Grantor owns certain real property (the "Property") located in Fillmore County, State of Utah, as more particularly described on Exhibit "A," attached hereto and by this reference incorporated herein.

B. Grantor plans to use the Property in the future for the construction, operation, maintenance, repair, and replacement of transmission and distribution lines and other facilities, improvements and equipment normally associated with Grantor's electric utility operations or leased for communication purposes.

C. Grantee has constructed a 46 kV electric transmission line on the Property and desires to obtain an easement on, over, and across a portion of the Property for the purposes of operating and maintaining the line, as more particularly described herein, and Grantor is willing to grant an easement to Grantee for such purposes subject to the terms and conditions set forth herein.

D. Grantee is aware of Grantor's future plans to use the Property for the construction of Grantor's electric facilities and has decided to secure the easement described herein with the full knowledge and understanding that Grantee shall be required to remove its facilities from the Easement Property at its sole expense upon notice from Grantor.

NOW, THEREFORE, in consideration of the sum of Ten Dollars (\$10.00) and other good and valuable consideration, the sufficiency and receipt of which is hereby acknowledged, and of the mutual promises and subject to the conditions set forth below, the parties agree as follows:

1. **Grant of Easement.** Grantor hereby conveys to Grantee a non-exclusive easement over, through and across a portion of Grantor's real property located in Fillmore County, State of Utah, more particularly described in Exhibit "B," attached hereto and incorporated herein ("**Easement Property**") solely to plan, install, and construct an electric 45 kV transmission line, including supporting poles, guys and anchors, conductors, insulators, and appurtenant equipment (collectively, "**Power Line**"), and thereafter maintain, operate, clean, inspect, alter, remove, replace, and protect the same, and for no other use or purpose.

2. **Condition of the Easement Property.** GRANTEE ACCEPTS THE EASEMENT PROPERTY AND ALL ASPECTS THEREOF IN "AS IS," "WHERE IS" CONDITION, WITHOUT WARRANTIES, EITHER EXPRESS OR IMPLIED, "WITH ALL FAULTS," INCLUDING BUT NOT LIMITED TO BOTH LATENT AND PATENT DEFECTS, AND THE EXISTENCE OF HAZARDOUS MATERIALS, IF ANY. GRANTEE HEREBY WAIVES ALL WARRANTIES, EXPRESS OR IMPLIED, REGARDING THE TITLE, CONDITION AND USE OF THE EASEMENT PROPERTY, INCLUDING, BUT NOT LIMITED TO ANY WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE. Without limiting the generality of the foregoing, the Easement Property is granted to Grantee subject to: (i) any state of facts which an accurate ALTA/ASCM survey (with Table A items) or physical inspection of the Easement Property might show, (ii) all zoning regulations, restrictions, rules and ordinances, building restrictions and other laws and regulations now in effect or hereafter adopted by any governmental authority having jurisdiction; and (iii) reservations, easements, rights-of-way, covenants, conditions, restrictions, encroachments, liens, and encumbrances and all other matters of record or enforceable at law or in equity, other than claims arising by or through Grantor. Grantee shall obtain any and all consents, approvals, permissions, and agreements to cross, encumber or encroach upon any other easements of rights of others related to its use and improvement of the Easement Property.

3. **Taxes.** Any increase in general ad valorem taxes assessed to the Property over the taxes payable for 2007 without reduction for any exemption or reduction (such as through the Farmland Assessment Act) due solely to Grantee's use or occupation of the Property shall be borne by Grantee and paid to Grantor within thirty (30) days receipt of the tax notice. Grantee shall pay all taxes and assessments levied against its improvements located on the Easement Property.

4. **Access.** Grantee and its agents, employees, and contractors shall have the right to enter upon the Easement Property for the purposes permitted by this Agreement. Grantee shall enter upon the Easement Property at its sole risk and hazard, and Grantee, and its successors and assigns, hereby releases Grantor from any claims relating to the condition of the Easement Property and the entry upon the Easement Property by Grantee, its agents, employees, servants, contractors and other such parties.

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12/21/2007 01:00:36 PM

Page 2 of 11
By FLOWELL ELECTRIC ASSN



5. **Improvements.** Grantee may place the Power Line on the Easement Property. Notwithstanding any other provision of this Agreement, the Power Line is and shall remain at all times the exclusive property of Grantee. Grantee shall not add any additional power poles without the prior written consent of Grantor. Grantee shall align, place and install any future power lines, poles and associated equipment and facilities parallel to or consistent with the existing facilities and in a manner that will reasonably minimize any detrimental effect on the use, enjoyment and development of the Property by Grantor. If Grantee desires to add any additional power poles, Grantee shall provide Grantor with plans and specifications showing the proposed change or improvement at least forty five (45) days in advance or within a lesser amount of time as agreed upon by Grantor. Grantor shall have the right to deny the request to add additional power poles if Grantor determines that it is likely to unreasonably interfere with or impair, or has the potential to interfere with or impair, Grantor's current or future use or development of the Property. The parties will use good faith efforts to cooperate with each other to agree upon mutually acceptable plans and specifications for the improvement, alteration and/or development of the Property.

In the event Grantee needs to perform construction work on the Easement Property, Grantee shall: (i) provide Grantor with at least thirty (30) days' prior written notice of such work, except in the event of an emergency when no prior notice shall be necessary; (ii) use reasonable efforts to minimize any interference or disruption to Grantor's use and occupancy of the Easement Property; and (iii) perform any such work expediently and in a good and workmanlike manner.

6. **Maintenance.** Grantee, at its sole cost and expense, shall maintain and repair the Power Line and any and all related improvements installed by Grantee, in good order and condition, except and until such time that Grantee, in its sole discretion, chooses to relocate or to remove the Power Line from the Easement Property. Grantee shall promptly repair any damage to the Easement Property and Grantor's improvements located thereon caused by Grantee, its agents, servants, employees, contractors or anyone performing work by, through, for, or under Grantee ("**Grantee's Agents**"), and shall restore the Easement Property and the improvements thereon to the same or better condition as they existed prior to any entry onto or work performed on the Property by Grantee and Grantee's Agents.

7. **Restrictions.**

(a) Except with the prior consent of Grantor, which consent shall not be unreasonably withheld, Grantee will not use or permit to be used within the Property any construction cranes or other equipment having a boom or similar attachment which may come in contact with any of Grantor's overhead electric lines (as such lines may be constructed in the future).

(b) Except for the Power Line, Grantee shall not: (i) place or store any flammable material, including but not limited to chemical solvents, fuels, rubbish piles, haystacks, or lumber products on the Property; (ii) construct or place any permanent or

00163892

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Connie Hansen, Millard Recorder
12/21/2007 01:00:36 PM

Page 3 of 11
By FLOWELL ELECTRIC ASSN



temporary building structure or other improvement on the Property or plant any trees that will grow within fifteen (15) feet of any power lines or that interferes with Grantor's access to its existing or future structures and facilities (except to the extent that such structure/improvement is relocated pursuant to the provisions of Paragraph 9 below). Grantee shall remove or trim at its sole cost and expense any trees or other vegetation that grows within Grantor's line clearance specifications or hinders Grantor's access.

8. **Reserved Uses by Grantor.** Grantor reserves the right to access the Property at any time for the purpose of maintaining or repairing its future power lines and associated equipment and facilities and to place additional lines and equipment upon the Property. Grantor reserves the right to add to, change, or enlarge its power lines and associated facilities and structures on the Property, including such equipment and facilities of others, including fiber optic and cable lines; provided, however, that the installation and placement of the equipment and facilities, including fiber optic and cable lines, shall not unreasonably interfere with Grantee's use and enjoyment of the Property. Grantor will, to the extent reasonably and economically practicable, align, place and install any future power lines, poles and associated equipment and facilities parallel to or consistent with grantee's existing facilities and in a manner that will reasonably minimize any detrimental effect on the use and enjoyment of the Property by Grantee.

9. **Relocation.** Grantee, upon written notification of Grantor, shall relocate its Power Line from the Easement Property at its own expense. Grantee shall have one (1) year from the time of said notice to relocate its Power Line and shall restore the Easement Property and the improvements thereon to the same or better condition as they existed prior to any entry onto or work performed on the Property by Grantee and Grantee's Agents. Grantor will, to the extent reasonably and economically practicable, allow Grantee to relocate the Power Line to a location within the Property, including, to the extent Grantor determines it to be economically and technically feasible, to locate the Power Line on joint-use poles or structures with Grantor's future power line(s) within the Property. In the event the Power Line is relocated within the Property, the parties shall enter into a new easement agreement for the location of the relocated Power Line. Grantee acknowledges and agrees that Grantor is in no way obligated to pay any compensation for the value of the Power Line or any costs associated with the removal of the Power Line from the boundaries of the Property.

10. **Liens.** Grantee shall keep the Easement Property and the Property free from any liens arising out of any work performed, materials furnished, or obligations incurred by, through, for or under Grantee, and shall indemnify, hold harmless and agree to defend Grantor from any liens that may be placed on the Easement Property and/or the Property pertaining to any work performed, materials furnished or obligations incurred by, through, for, or under Grantee or any of Grantee's Agents. Any such liens shall be released of record within thirty (30) days.

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Connie Hansen, Millard Recorder
12/21/2007 01:00:36 PM

Page 4 of 11
By FLOWELL ELECTRIC ASSN



11. **Compliance with Laws.** Grantee will comply with all present or future laws, statutes, codes, acts, ordinances, rules, regulations, orders, judgments, decrees, injunctions, rules, regulations, permits, licenses, authorizations, directions and requirements of and agreements with all governments, departments, commissions, boards, courts, authorities, agencies, officials and officers, foreseen or unforeseen, ordinary or extraordinary, including, without limitation, any building, zoning and land use laws.

12. **Indemnification.** Grantee and its successors and assigns hereby agrees to indemnify, defend (with counsel acceptable to Grantor) and hold harmless Grantor, and any entity controlling, controlled by or under control with Grantor ("Affiliates"), and its and their Affiliates' officers, directors, employees, managers, members, agents, servants, successors, and assigns from and against any and all liens, encumbrances, costs, demands, claims, judgments, and/or damage caused by or arising out of (i) the acts and omissions of Grantee, and its agents, servants, employees, and/or contractors; (ii) the use of the Easement Property and/or the Power Line by Grantee, its agents, servants, employees, or contractors; and (iii) any work performed on the Easement Property or the Property by Grantee or its successors or assigns, and their agents, servants, employees, consultants and/or contractors. The terms and conditions of this provision shall remain effective, notwithstanding the expiration or termination of this Agreement.

13. **Notices.** Except when actual receipt is expressly required by the terms hereof, notice is considered given either: (i) when delivered in person to the recipient named below, (ii) after deposit in the United States mail in a sealed envelope or container, either registered or certified mail, return receipt requested, postage prepaid, addressed by name to the person and party intended and to the facsimile number indicated below, with machine confirmation of satisfactory transmittal. All notices shall be given to the following:

Grantor: Rocky Mountain Power
Attn. Property Management Department
1407 West North Temple
Salt Lake City, UT 84140
Fax: (801) 220-4373

Grantee: Flowell Electric Association
495 North 3200 West
HC 61 180
Fillmore, UT 84631
Fax: (435) 743-5722

Upon written notification, either party may designate a different individual or address for notices.

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14. Miscellaneous.

14.1 Interpretation. Section titles and captions to this Agreement are for convenience only and shall not be deemed part of this Agreement and in no way define, limit, augment, extend, or describe the scope, content, or intent of any party or subparts of this Agreement. The parties acknowledge and agree that all of the terms and conditions of this Agreement are contractual in nature and shall be interpreted under any applicable law as contractual obligations, and each party waives any claims or defenses to the contrary. Whenever the context so requires, the singular shall include the plural, the plural shall refer to the singular, and the neuter gender shall include the masculine and feminine genders.

14.2 Applicable Law. This Agreement shall be construed in accordance with and governed by the laws of the state of Utah. Venue and jurisdiction of any legal proceedings shall be in either Salt Lake County or Fillmore County, Utah.

14.3 Run with the Land/Successors. Subject to the terms and conditions of this Agreement, the easement granted herein shall be perpetual and shall run with the land, and the terms and conditions of this Agreement shall inure to the benefit of and be binding upon the parties. The easement granted herein is an easement in gross and is personal to Grantee and may not be transferred or assigned, and no rights arising under this Agreement may be conveyed, licensed or otherwise transferred to any other entity, except in the event of the acquisition or merger of Grantee or of substantially all of Grantee's assets. As such, Grantee shall not have the right to assign or convey this Agreement or any right herein in whole or in part. Subject to the above, the terms of this Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns.

14.4 Integration. This Agreement constitutes the entire agreement between the parties pertaining to the subject matter hereof, and supercedes all prior agreements and understandings pertaining thereto. No covenant, representation, or condition not expressed in this Agreement shall affect or be deemed to interpret, change, or restrict the express provision hereof. Any amendment or modification to this Agreement shall be in writing and signed by authorized agents or officers of the parties.

14.5 Waiver. No failure by any party to insist upon the strict performance of any covenant, duty, agreement, or condition of this Agreement or to exercise any rights or remedy consequent upon a breach thereof shall constitute a waiver of any such breach or of such right or remedy or of any other covenant, agreement, term, or condition. Any party may by notice delivered in the manner provided in this Agreement, but shall be under no obligation to, waive any of its rights or any conditions to its obligations hereunder, or any duty, obligation, or covenant of any other party. No waiver shall affect or alter the remainder of this Agreement but each and every other covenant, agreement, term, and condition hereof shall continue in full force and effect with respect to any other breach.

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Page 6 of 11
By FLOWELL ELECTRIC ASSN



14.6 Rights and Remedies. The rights and remedies of any of the parties shall not be mutually exclusive, and the exercise of one or more of the provisions of this Agreement shall not preclude the exercise of any other provisions. Each of the parties confirms that damages at law may be an inadequate remedy for a breach or threatened breach of any provision hereof. The respective rights and obligations hereunder shall be enforceable by specific performance, injunction, or other equitable remedy, but nothing herein contained is intended to or shall limit or affect any rights at law or by statute or otherwise of any party aggrieved as against the other party for a breach or threatened breach of any provision hereof, it being the intent of this paragraph to make clear the agreement of the parties that the respective rights and obligations of the parties hereunder shall be enforceable in equity as well as at law or otherwise.

14.7 Enforceability and Litigation Expenses. If any action, suit, or proceeding is brought by a party hereto with respect to a matter or matters covered by this Agreement or if a party finds it necessary to retain an attorney to enforce its rights under this Agreement, all costs and expenses of the prevailing party incident to such proceeding or retention, including reasonable attorneys' fees, shall be paid by the non-prevailing party.

14.8 Authorization. Each individual executing this Agreement represents and warrants that he or she has been duly authorized by appropriate action of the governing body of the party for which he/she signs to execute and deliver this Agreement in the capacity and for the entity set forth where he/she signs and that as a result of his signature, this Agreement shall be binding upon the party for which he/she signs.

14.9 No Public Use/Dedication. The Easement Property is and shall at all times remain the private property of Grantor. Nothing contained in this Agreement will be deemed a gift or a dedication of any portion of or interest in the Easement Property or the Property to the general public or for a public purpose whatsoever, it being the intent of the parties that this Agreement be strictly limited for the purposes expressed herein. The use of the Easement Property is permissive and shall be limited to the express purposes contained herein by Grantee. Neither Grantee, or its successors or assigns, nor the public shall acquire nor be entitled to claim or assert any rights to the Easement Property beyond the express terms and conditions of this Agreement.

14.10 No Presumption. This Agreement shall be interpreted and construed only by the contents hereof, and there shall be no presumption or standard of construction in favor of or against either party. Each party represents and warrants to the other party that they have been represented by, and have had the opportunity to consult with, legal counsel in connection with the review, negotiation and execution of this Agreement, and that this Agreement represents an arm's length transaction between two sophisticated parties.

14.11 Not a Partnership/No Third Party Beneficiaries. In assuming and performing the obligations of this Agreement, Grantor and Grantee are each acting as independent parties and neither shall be considered or represent itself as a joint venturer, partner, agent, or employee of the other. There is no intent by either party to create or establish third party beneficiary status or rights in any third party, and no such third party

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shall have any right to enforce any right or enjoy any benefit created or established under this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement on the day and year first above written.

GRANTOR

Rocky Mountain Power, a division of PacifiCorp,
an Oregon corporation

By: [Signature]
Name (Print): KEVIN T. WILLIAMS
Its: Manager of Rights & W.A.G.

GRANTEE

Flowell Electric Association,
a Utah non-profit corporation

By: [Signature]
Name (Print): Durand Robison
Its: General Manager

ALL SIGNATURES MUST BE ACKNOWLEDGED

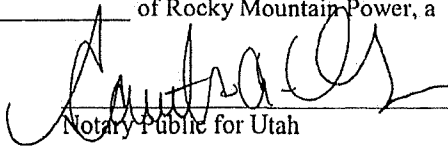
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By FLOWELL ELECTRIC ASSN

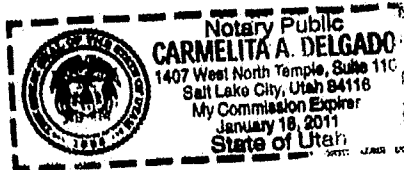


STATE OF UTAH)
:SS
COUNTY OF SALT LAKE)

The foregoing instrument was acknowledged before me this 30th day of November, 2007, by Ted Williams, in his/her capacity as Manager of ROW of Rocky Mountain Power, a division of PacifiCorp, an Oregon corporation.

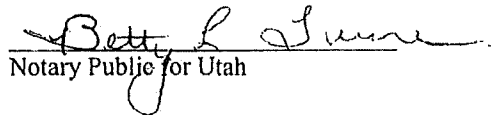

Notary Public for Utah

Commission expires: 1-18-2011



STATE OF UTAH)
millard :SS
COUNTY OF SALT LAKE)

The foregoing instrument was acknowledged before me this 21 day of November, 2007, by Durand Robison, in his capacity as General Manager of Flowell Electric Association.


Notary Public for Utah

Commission expires: 03-05-2009



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Page 9 of 11
By FLOWELL ELECTRIC ASSN



EXHIBIT A

(Legal Description of Property)

The following property located in Millard County, UT:

All of that 100 foot wide strip of railroad right of way situate in the West half of the West half of Section 7, Township 21 South, Range 4 West, Salt Lake Base and Meridian and the West half of the West half of the Section 18, Township 21 South, Range 4 West, Salt Lake Base and Meridian.

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Page 10 of 11
By FLOWELL ELECTRIC ASSN



EXHIBIT B

(Legal Description of Easement Property)

The following property located in Millard County, UT:

All of that 100 foot wide strip of railroad right of way situate in the West half of the West half of Section 7, Township 21 South, Range 4 West, Salt Lake Base and Meridian and the West half of the West half of the Section 18, Township 21 South, Range 4 West, Salt Lake Base and Meridian.

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By FLOWELL ELECTRIC ASSN

Page 11 of 11



When Recorded, Mail to:

Flowell Electric Assn
495 North 3200 West
Fillmore, Utah 84631

PARCEL BOUNDARY ADJUSTMENT

This parcel boundary adjustment is entered into as of _____, 2019, by and among Keyhole Ranch, L.L.C. (Party 1) and Flowell Electric Association, Inc. (Party 2) with respect to the following:

- A. Party 1 is the owner in fee simple of that certain real property, situated in Millard County, State of Utah, hereinafter referred to as Parcel 1, and being described as follows:

THE EAST HALF OF THE NORTHEAST QUARTER OF SECTION 21, TOWNSHIP 21 SOUTH, RANGE 5 WEST, SALT LAKE MERIDIAN.

EXCEPTING THEREFROM that portion lying within the boundaries of the railroad right of way, the county road right of way, and all rights of way, stock trails, ditches, canals, gravel pits, and gravel beds.

EXCEPTING THEREFROM Beginning at the Northeast corner of Section 21, T21S, R5W, SLM, thence West 250 feet, thence South 450 feet, thence East 250 feet, thence North 450 feet to the point of beginning. LESS State of Utah and Millard County Roads.

EXCEPTING THEREFROM Beginning at a point 250 West from the Northeast corner of Section 21, T21S, R5W, SLM, thence South 340 feet, thence West 138 feet, thence North 340 feet, thence East 138 feet to the point of beginning. Less State of Utah road right of way. (7318)

- B. Party 2 is the owner in fee simple of that certain real property, situated in Millard County, State of Utah, hereinafter referred to as Parcel 2, and being described as follows:

Beginning at a point 250 West from the Northeast corner of Section 21, T21S, R5W, SLM, thence South 340 feet, thence West 138 feet, thence North 340 feet, thence East 138 feet to the point of beginning.

EXCEPTING THEREFROM that portion lying within the boundaries of the railroad right of way, the county road right of way, and all rights of way, stock trails, ditches, canals, gravel pits, and gravel beds. (7318-1)

- C. Party 1 and Party 2 desire to adjust the common boundary between Parcel 1 and Parcel 2 in accordance with a Parcel Boundary Adjustment per USC 17-27a-103 & 17-27a-522.

NOW, THEREFORE, in consideration of the above premises, and for other good and valuable consideration, the sufficiency and receipt of which is hereby acknowledged, and for the purpose of

permanently establishing the common legal and physical boundary line between the parcels described herein, it is hereby agreed as follows:

- D. Quit Claim by Party 1. Party 1 hereby releases, remises, and quit-claims to Party 2 all of its right, title and interest in and to any real property described as follows:

Commencing at the Northeast corner of Section 21, Township 21 South, Range 5 West, Salt Lake Meridian; thence North $89^{\circ}09'14''$ West 250.02 feet (West 250 feet by record) along section line; thence South $00^{\circ}02'43''$ West 340.03 feet (South 340 feet by record) to the POINT OF BEGINNING; thence continuing South $00^{\circ}02'43''$ West 110.01 feet; thence North $89^{\circ}09'14''$ West 138.01 feet (West 138' by record); thence North $00^{\circ}02'43''$ East 110.01 feet; thence South $89^{\circ}09'14''$ East 138.01 feet (East 138 feet by record) to the POINT OF BEGINNING. Contains 15181 square feet or 0.349 acres, more or less.

EXCEPTING THEREFROM that portion lying within the boundaries of the state road right of way, all rights of way, stock trails, ditches, canals, gravel pits, and gravel beds.

- E. Parcel 1. Party 1 and Party 2 agree that the Parcel 1 will hereafter be described as follows:

Commencing at the Northeast corner of Section 21, Township 21 South, Range 5 West, Salt Lake Meridian; thence North $89^{\circ}09'14''$ West 250.02 feet (West 250 feet by record) along section line to the POINT OF BEGINNING; thence South $00^{\circ}02'43''$ West 450.04 feet (South 450 feet by record); thence North $89^{\circ}09'14''$ West 138.01 feet (West 138' by record); thence North $00^{\circ}02'43''$ East 450.04 feet (North 450 feet by record); thence South $89^{\circ}09'14''$ East 138.01 feet (East 138 feet by record) to the POINT OF BEGINNING. Contains 62104 square feet or 1.426 acres, more or less.

EXCEPTING THEREFROM that portion lying within the boundaries of the railroad right of way, the county road right of way, and all rights of way, stock trails, ditches, canals, gravel pits, and gravel beds.

- F. Parcel 2. Party 1 and Party 2 agree that the Parcel 2 will hereafter be described as follows:

Beginning at the East quarter corner of Section 21, Township 21 South, Range 5 West, Salt Lake Meridian; thence North $89^{\circ}15'21''$ West 1328.90 feet along quarter section line to the Southwest corner of the East half of the Northeast quarter of said Section 21; thence North $00^{\circ}08'47''$ East 2661.04 feet along sixteenth line to the Northwest corner of the East half of the Northeast quarter of said Section 21; thence South $89^{\circ}09'14''$ East 936.19 feet; thence South $00^{\circ}02'43''$ West 450.04 feet (South 450 feet by record); thence South $89^{\circ}09'14''$ East 388.04 feet (east 388 feet by record) to a point on the East line of said Section 21; thence South $00^{\circ}02'43''$ West 2208.69 feet along section line to the POINT OF BEGINNING. Contains 3353627 square feet or 76.989 acres, more or less.

EXCEPTING THEREFROM that portion lying within the boundaries of the state road right of way, all rights of way, stock trails, ditches, canals, gravel pits, and gravel beds.

IN WITNESS WHEREOF the following has executed this instrument this _____ day of _____, 2019. PARTY 1 – KEYHOLE RANCH, LLC

Alden Robinson, Managing Member

Brenda Robinson, Managing Member

STATE OF _____)
:SS
County of _____)

On the date first above written personally appeared before me, Alden and Brenda Robinson, who, being by me duly sworn, says that they are Managing Members of Keyhole Ranch, LLC, a Limited Liability Company, and that the within and foregoing instrument was signed in behalf of said company by authority of its Articles of Organization, and acknowledged to me that said company executed the same.

WITNESS my hand and official stamp the date in this certificate first above written:

Residing in: _____ Notary Public

My Commission Expires: _____

IN WITNESS WHEREOF the following has executed this instrument this _____ day of _____, 2019. PARTY 2 – FLOWELL ELECTRIC ASSN

By _____

STATE OF _____)
:SS
County of _____)

On the date first above written personally appeared before me, _____, who, being by me duly sworn, says that he is the _____ of _____, a corporation, and that the within and foregoing instrument was signed in behalf of said corporation by authority of _____, and acknowledged to me that said corporation executed the same.

WITNESS my hand and official stamp the date in this certificate first above written:

Residing in: _____ Notary Public

My Commission Expires: _____

POWER COMPANIES
05/01/96

FORM TC-250B
TX420690 (2) N
PAGE: 1
(0001)

1996 NOTICE OF ASSESSMENT
CENTRALLY ASSESSED PROPERTIES

FLOWELL ELECTRIC ASSOC., INC.
DUARN A. ROBINSON
495 N. 3200 W.
SR BOX 180
FILLMORE UT 84631
(U00830)

UTAH STATE TAX COMMISSION
PROPERTY TAX DIVISION
210 NORTH 1950 WEST
SALT LAKE CITY, UTAH 84134
TELEPHONE: (801) 297-3623

MILLARD COUNTY SCH. DIST. CODE E & K
(14-0810-0040) COUNTY KEY:

MILLARD COUNTY

(001) OTHER PROPERTY - COUNTY ID. NO. 9000366 ZZZ 36

DESCRIPTION	QUANTITY	TAXABLE VALUE
LINE 1 THREE PHASE - # OF MILES	30.11	
LINE 1 SINGLE PHASE - # OF MILES	2.13	
LINE 2 THREE PHASE - # OF MILES	16.00	
LINE 2 SINGLE PHASE - # OF MILES	12.62	
LINE 3 THREE PHASE - # OF MILES	13.30	
LINE 4 SINGLE PHASE - # OF MILES	10.46	
LINE 5 THREE PHASE - # OF MILES	62.91	

(010) PROPERTY DESC. -

COUNTY S/N:

BEG AT THE SE COR OF THE SE 1/4 OF THE NW 1/
RSW, SLM, TH W 12 RODS, TH N 12 RODS, TH E 12 RODS, TH S 12
RODS TO THE BEG 0.9 AC

PERSONAL PROPERTY

(020) PROPERTY DESC. -

COUNTY S/N:

BEG AT THE NE COR OF SEC 21, T21S, R5W, SLM,
S 450 FT, TH E 250 FT, TH N 450 FT TO POB. LESS STATE OF UTAH
AND MILLARD COUNTY ROADS 2.58 AC

EXHIBIT D-1

SYSTEM INDEBTEDNESS

1. Indebtedness arising under any loans from National Rural Utilities Cooperative Finance Corporation ("CFC"), (see attached loan number(s) and/or statements).
2. Indebtedness arising under any loans from Co-Bank (see attached loan number(s) and/or statements).

=====

RESTATED MORTGAGE

AND

SECURITY AGREEMENT

Made By And Between

FLOWELL ELECTRIC ASSOCIATION, INC.

Mortgagor

and

NATIONAL RURAL UTILITIES
COOPERATIVE FINANCE CORPORATION

Mortgagee

Dated as of October 16, 1996

THIS INSTRUMENT CONTAINS FUTURE ADVANCE PROVISIONS MADE BY THE MORTGAGEES TO THE MORTGAGOR AND FUTURE OBLIGATIONS OF THE MORTGAGOR TO THE MORTGAGEES.

THIS INSTRUMENT CONTAINS AFTER-ACQUIRED PROPERTY PROVISIONS.

THIS INSTRUMENT WAS DRAFTED BY ROBERTA B. ARONSON, ASSISTANT GENERAL COUNSEL OF NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION ("CFC"), WOODLAND PARK, 2201 COOPERATIVE WAY, HERNDON, VIRGINIA 22071. CFC'S TELEPHONE NUMBER IS 1-800-424-2954.

=====

TABLE OF CONTENTS

	Page
ARTICLE I	
Section 1.01	Definitions2
Section 1.02	Construction of Mortgage.....6
ARTICLE II	
SECURITY	
Section 2.01	Granting7
ARTICLE III	
ADDITIONAL SECURED NOTES	
Section 3.01	Additional Secured Notes.....8
Section 3.02	Supplemental Mortgages9
ARTICLE IV	
PARTICULAR COVENANTS OF THE MORTGAGOR	
Section 4.01	Authority to Execute and Deliver Notes and Mortgages; All Action Taken; Enforceable Obligations 9
Section 4.02	Authority to Mortgage Property; No Liens; Exception for Permitted Encumbrances; Mortgagor to Defend Title and Remove Liens 10
Section 4.03	Additional Permitted Debt10
Section 4.04	Payment of Notes 10
Section 4.05	Preservation of Corporate Existence and Franchises10
Section 4.06	Maintenance of Mortgaged Property..... 11

TABLE OF CONTENTS, Continued

	Page
Section 4.07 Insurance; Restoration of Damaged Mortgaged Property	11
Section 4.08 Mortgagee Right to Expend Money to Protect Mortgaged Property	12
Section 4.09 Further Assurances	12
Section 4.10 Application of Proceeds from Condemnation	12
Section 4.11 Compliance with Loan Agreements; Notice of Amendments to, and Defaults under Loan Agreements	12
Section 4.12 Rights of Way, etc.	13
Section 4.13 Notice of Change of Chief Executive Offices	13
Section 4.14 Notice of Change of Name	13

ARTICLE V**REMEDIES OF THE MORTGAGEE**

Section 5.01 Events of Default	13
Section 5.02 Acceleration of Maturity; Recession and Amendment	14
Section 5.03 Remedies of Mortgagee	15
Section 5.04 Application of Proceeds from Remedial Actions	17
Section 5.05 Remedies Cumulative; No Election	17
Section 5.06 Notice of Default	17

RESTATED MORTGAGE AND SECURITY AGREEMENT, dated as of October 16, 1996 ("Mortgage") is made by and between FLOWELL ELECTRIC ASSOCIATION, INC. (hereinafter called the "Mortgagor"), a corporation existing under the laws of the State of Utah, and NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION (hereinafter called "CFC" or the "Mortgagee"), a corporation existing under the laws of the District of Columbia.

RECITALS

WHEREAS, the Mortgagor and CFC are parties to that certain Supplemental Mortgage and Security Agreement dated as of August 22, 1973, as supplemented, amended or restated (the "Original Mortgage" identified in Appendix "A" hereto, hereinafter called the "Instruments Recital") originally entered into between the Mortgagor, the United States of America acting by and through the Administrator of the Rural Utilities Service (hereinafter called "RUS") and CFC; and

WHEREAS, the Mortgagor has prepaid all of its outstanding indebtedness to the RUS, payment of which was secured by the lien of the Original Mortgage and RUS has released all of its rights, interests and liens under the Original Mortgage; and

WHEREAS, this Mortgage restates and consolidates the Original Mortgage while preserving the priority of CFC's lien under the Original Mortgage and secures the payment of Mortgagor's outstanding and current secured indebtedness to CFC, as more particularly described below; and

WHEREAS, the Mortgagor has heretofore borrowed funds from CFC pursuant to Loan Agreements (hereinafter called the "Outstanding CFC Loan Agreements" and identified in the Instruments Recital), between Mortgagor and CFC, and has duly authorized, executed and delivered to CFC or has secured the payment of certain promissory note(s) payable to CFC (hereinafter called the "Outstanding CFC Notes" and identified in the Instruments Recital) now outstanding and held by CFC; and

WHEREAS, the Mortgagor has decided to borrow funds from the Mortgagee pursuant to Loan Agreements (hereinafter called the "Current CFC Loan Agreements" and identified in the Instruments Recital) and has accordingly duly authorized, executed and delivered to the Mortgagee Secured Promissory Notes (identified in the Instruments Recital as and hereinafter called the "Current CFC Notes") to be secured by this Mortgage; and

WHEREAS, it is contemplated that the Current CFC Notes, the Outstanding CFC Notes shall be secured by this Mortgage as well as additional notes and refunding, renewal and substitute notes (hereinafter collectively called the "Additional Notes") which may from time to time be executed and delivered by the Mortgagor as hereinafter provided (the Current CFC Notes, the Outstanding CFC Notes and any Additional Notes each being hereinafter called a "Note" and collectively called the "Notes"); and

WHEREAS, the Mortgagor and the Mortgagee are authorized to enter into this Mortgage.

NOW, THEREFORE, the parties hereto, in consideration of the mutual covenants contained herein, do agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. In addition to the terms defined elsewhere in this Mortgage, the terms defined in this Article I shall have the meanings specified herein and/or under the applicable Uniform Commercial Code, unless the context clearly requires otherwise. The terms defined herein include the plural as well as the singular and the singular as well as the plural.

Additional Notes shall mean any Notes issued by the Mortgagor to CFC or any other lender pursuant to Article III of this Mortgage including any refunding, refinancing, renewal, or substitute Notes which may from time to time be executed and delivered by the Mortgagor pursuant to the terms of Article III.

Business Day shall mean any day other than a day on which national banks are legally authorized to close in the State of Utah or the State of Illinois.

CFC is defined in the introductory paragraph to this Mortgage and shall include its successors and assigns.

Current CFC Notes shall mean all notes issued concurrently herewith and identified as such in Appendix A attached hereto.

Debt Service Coverage Ratio ("DSC") shall mean the ratio determined for any calendar years follows . The numerator of the fraction shall be determined by adding (i) Operating Margins, (ii) Non-Operating Margins—Interest, (iii) Interest Expense, (iv) Depreciation and Amortization Expense, and (v) cash received in respect of generation and transmission and other capital credits, and subtracting therefrom Interest Expense on CFC Loan No. UT 11-A-9007 identified in Appendix A hereto. The denominator of the fraction shall be determined by adding the sum of all payments of Principal and Interest Expense during such calendar year, and subtracting therefrom the sum of all payments of Principal and Interest Expense on CFC Loan No.UT 11-A-9007 identified in Appendix A hereto during such calendar year. In the event that any Long-Term Debt has been refinanced during such year the payments of Principal and Interest Expense required to be made during such year on account of such Long-Term Debt shall be based (in lieu of actual payments required to be made on such refinanced debt) upon the larger of (i) an annualization of the payments required to be made with respect to the refinancing debt during the portion of such year such refinancing debt is outstanding or (ii) the payment of Principal and Interest Expense required to be made during the following year on account of such refinancing debt.

Depreciation and Amortization Expense shall mean an amount constituting the depreciation and amortization of the Mortgagor as computed in accordance with generally accepted accounting principles.

Equity shall mean the aggregate of Mortgagor's equities and margins as computed in accordance with generally accepted accounting principles.

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

Excepted Property shall mean the properties, if any, identified on Appendix C hereto.

Fiscal Year shall mean the fiscal year of the Mortgagor.

Form 7 shall mean the form so identified by CFC or, if no such form is applicable to the accounts of the Mortgagor, such reference shall apply to the corresponding information otherwise determined in accordance with generally accepted accounting principles.

Interest Expense shall mean an amount constituting the interest expense with respect to Total Long-Term Debt of the Mortgagor as computed in accordance with generally accepted accounting principles.

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

Loan Agreements shall mean the Current CFC Loan Agreements, the Outstanding CFC Loan Agreements and any other loan, credit or similar agreement, and any amendments thereto, executed by and between the Mortgagor and CFC in connection with the execution and delivery of any Notes secured hereby and any loan agreement between the Mortgagor and another mortgagee in connection with the execution and delivery of any Notes secured hereby.

Long-Term Debt shall mean any amount included in Total Long-Term Debt computed in accordance with generally accepted accounting principles.

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

Mortgaged Property shall have the meaning specified in Section 2.01 hereof.

Mortgagee shall mean CFC, its successors and assigns, and any other holders of Additional Notes issued pursuant to Section 3.01 and secured by this Mortgage pursuant to Section 3.02.

Non-Operating Margins-Interest shall mean the amount of non-operating margins-interest of Mortgagor as computed in accordance with generally accepting accounting principles.

Note or Notes shall have the meaning given to it in the recitals of this Mortgage.

Operating Margins shall mean the net amount of operating revenue and patronage capital less the total cost of electric service of the Mortgagor as computed in accordance with generally accepting accounting principles.

Outstanding CFC Notes shall mean all Notes previously issued and identified as such in Appendix A attached hereto.

Permitted Debt shall have the meaning specified in Section 4.03.

Permitted Encumbrances shall mean:

(i) any Liens for taxes, assessments or governmental charges for the current year and taxes, assessments or governmental charges not due and delinquent and any such Liens, whether or not delinquent, whose validity is at the time contested in good faith and for which the Mortgagor (a) has set aside on its books adequate reserves in accordance with generally accepted accounting principles and (b) has available cash, cash equivalents or availability under lines of credit sufficient to cover the amounts of such Liens;

(ii) Liens for workmen's compensation awards and similar obligations not then delinquent and any such Liens, whether or not delinquent, whose validity is at the time contested in good faith and for which the Mortgagor (a) has set aside on its books adequate reserves in accordance with generally accepted accounting principles and (b) has available cash, cash equivalents or availability under lines of credit sufficient to cover the amounts of such Liens;

(iii) mechanics', laborers', materialmen's and similar Liens not then delinquent, and any such Liens, whether or not delinquent, whose validity is at the time being contested in good faith;

(iv) Liens and charges incidental to construction or current operation which have not been filed or asserted or the payment of which has been adequately secured or which, in the opinion of counsel to the Mortgagor are insignificant in amount;

(v) Liens, securing obligations not assumed by the Mortgagor and on account of which it does not pay and does not expect to pay interest, existing upon real estate (or rights in or relating to real estate) over or in respect of which the Mortgagor has a right-of-way or other easement for substation, transmission, distribution or other right-of-way purposes;

(vi) any right which the United States of America or any state or municipality or governmental body or agency may have by virtue of any franchise, license,

contract or statute to purchase, or designate a purchaser of, or order the sale of, any property of the Mortgagor upon payment of reasonable compensation therefor, or upon reasonable compensation or conditions to terminate any franchise, license or other rights before the expiration date hereof or to regulate the property and business of the Mortgagor;

(vii) attachment of judgment Liens covered by insurance, or upon appeal and covered by bond;

(viii) deposits or pledges to secure payment of workmen's compensation, unemployment insurance, retirement pensions or other social security;

(ix) deposits or pledges to secure performance of bids, tenders, contracts (other than contracts for the payment of borrowed money), leases, public or statutory obligations;

(x) surety or appeal bonds, and other deposits or pledges for purposes of like general nature in the ordinary course of business;

(xi) easements or reservations in respect to any property for the purpose of transmission and distribution lines and rights-of-way and similar purposes, zoning ordinances, regulations, reservations, restrictions, covenants, party wall agreements, conditions of record and other encumbrances (other than to secure the payment of money), none of which is such as to interfere with the proper operation of the property affected thereby;

(xii) the burdens of any law or governmental organization or permit requiring the Mortgagor to maintain certain facilities or perform certain acts as a condition of its occupancy of or interference with any public land or any river, stream or other waters or relating to environmental matters;

(xiii) any Lien or encumbrance for the discharge of which moneys have been deposited in trust with a proper depository to apply such moneys to the discharge of such Lien or encumbrances;

(xiv) any Lien reserved as security for rent or compliance with other provisions of the lease in case of any leasehold estate made, or existing on property acquired, in the ordinary course of business or in connection with capitalized leases permitted by Section 4.03;

(xv) purchase money indebtedness permitted by Section 4.03; and

(xvi) Liens arising hereunder, including any supplemental mortgage hereto, and liens created by the Original Mortgage.

Principal shall mean the amount of principal due on account of Total Long-Term Debt of the Mortgagor as computed in accordance with generally accepted accounting principles.

premises, does hereby grant, bargain, sell, alienate, convey, assign, transfer, mortgage, hypothecate, pledge, set over and confirm unto the Mortgagee, and their respective assigns, all property, rights, privileges and franchises of the Mortgagor of every kind and description, real, personal or mixed, tangible or intangible, whether now owned or hereafter acquired by the Mortgagor, wherever located, and grants a security interest therein for the purposes herein expressed, except any Excepted Property, and including all and singular the following described property (all of which is hereinafter called the "Mortgaged Property"):

I

All right, title and interest of the Mortgagor in and to the electric generating plants and facilities and electric transmission and distribution lines and facilities now owned by the Mortgagor and located in the counties listed in Appendix B hereto, or hereafter constructed or acquired by the Mortgagor, wherever located, and in and to all extensions and improvements thereof and additions thereto, including any and all other property of every nature and description, used or acquired for use by the Mortgagor in connection therewith, and including, without limitation, the property described in the property schedule listed on, or attached to, Appendix B hereto;

II

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

III

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

IV

All right, title and interest of the Mortgagor in, to and under any and all contracts heretofore or hereafter executed by and between the Mortgagor and any person, firm, corporation or governmental body or agency providing for the purchase, sale, exchange or transmission of electric power or energy by the Mortgagor together with

any and all other accounts, contract rights and general intangibles (as such terms are defined in the applicable Uniform Commercial Code) heretofore or hereafter acquired by the Mortgagor, including, without limitation, the accounts, contract rights and general intangibles described in Appendix B hereto;

V

Also, all right, title and interest of the Mortgagor in and to all other property, real or personal, tangible or intangible, of every kind, nature and description, and wheresoever situated, now owned or hereafter acquired by the Mortgagor, it being the intention hereof that all such property now owned but not specifically described herein or acquired or held by the Mortgagor after the date hereof shall be as fully embraced within and subjected to the lien hereof as if the same were now owned by the Mortgagor and were specifically described herein to the extent only, however, that the subjection of such property to the lien hereof shall not be contrary to law;

Together with all rents, income, revenues, profits, cash, proceeds and benefits at any time derived, received or had from any and all of the above-described property or business operations of the Mortgagor, to the fullest extent permitted by law.

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

ARTICLE III

ADDITIONAL SECURED NOTES

Section 3.01. Additional Secured Notes. Without the prior consent of the Mortgagee, the Mortgagor may issue Additional Notes to CFC or to another lender which Notes will thereupon be secured equally and ratably with the Notes if the following requirements are satisfied:

- (1) As evidenced by a certificate of an independent certified public accountant delivered to the Mortgagee, the Mortgagor shall have achieved for each of the two calendar years preceding, or any two consecutive 12 month periods ending within 180 days preceding the issuance of such Notes, a DSC of not less than 1.35; and
- (2) No Event of Default or any event which with the giving of notice or lapse of time or both would become an Event of Default has occurred and is continuing hereunder.

The Mortgagor shall also have the right without the consent of the Mortgagee, so long as an Event of Default or any event which with the giving of notice or lapse of time or both would become an Event of Default, has not occurred and is continuing hereunder, to issue Additional Notes for the purpose of renewing, substituting, refunding or refinancing any Notes so long as the total amount of outstanding indebtedness evidenced by any such Additional Note is not greater than 105% of the Note being renewed, substituted for, refunded or refinanced.

Section 3.02. Supplemental Mortgages. In the event the Mortgagor issues an Additional Note pursuant to Section 3.01 and all action, if any, necessary to secure such Additional Note hereunder and, where the holder is not then a Mortgagee, to add such holder as an additional Mortgagee hereunder has been taken, then the holder of such Additional Note shall be, without further act or deed, entitled to the benefits of this Mortgage. Each of the Mortgagees shall execute and deliver any amendment or supplement to this Mortgage and take such other action reasonably requested by the Mortgagor or the holder of such Additional Note in order to secure such Additional Note under this Mortgage, to provide that such holder shall be entitled to the benefits of this Mortgage (including, where the holder is not a Mortgagee prior to the issuance of such Additional Note, to add such holder as an additional Mortgagee), and to make such other amendments and modifications as shall be appropriate in connection therewith.

ARTICLE IV

PARTICULAR COVENANTS OF THE MORTGAGOR

The Mortgagor covenants, except as otherwise permitted by the consent of the Mortgagee, with the Mortgagee from time to time, as follows:

Section 4.01. Authority to Execute and Deliver Notes and Mortgages; All Action Taken; Enforceable Obligations. The Mortgagor is authorized under its articles of incorporation and bylaws and all applicable laws and by corporate action to execute and deliver the Notes and this Mortgage; and the Notes and this Mortgage are, and any Additional Notes when executed and delivered will be, the valid and enforceable obligations of the Mortgagor in accordance with their respective terms, subject only to limitations on enforceability imposed by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights generally and general equitable principles.

Section 4.02. Authority to Mortgage Property; No Liens; Exception for Permitted Encumbrances; Mortgagor to Defend Title and Remove Liens. The Mortgagor warrants that it has good right and lawful authority to mortgage the Mortgaged Property for the purposes herein expressed, and that the Mortgaged Property is free and clear of any Lien, affecting the title thereto, except Permitted Encumbrances. Except as to Permitted Encumbrances, the Mortgagor will, so long as any of the Notes shall be outstanding, maintain and preserve the lien of this Mortgage superior to all other Liens affecting the Mortgaged Property and will forever warrant and defend the title to the Mortgaged Property against any and all claims and demands.

Subject to the provisions of Section 4.03 and the next succeeding sentence as to leases, the Mortgagor will purchase all materials, equipment and replacements to be incorporated in or used in connection with the Mortgaged Property outright and not subject to any conditional sales agreement, chattel mortgage, bailment or other agreement reserving to the seller any right, title or Lien. Subject to the provisions of Section 4.03, the Mortgagor will not lease any materials, equipment or replacements to be incorporated in its electric utility system. Except as to Permitted Encumbrances, the Mortgagor will promptly pay or discharge any and all obligations for or on account of which any such Lien might exist or could be created and any and all lawful taxes, rates, levies, assessments, Liens, claims or other charges imposed upon or accruing upon any of the Mortgagor's property (whether taxed to the Mortgagor or to the Mortgagee), or the franchises, earnings or business of the Mortgagor, as and when the same shall become due and payable.

Section 4.03. Additional Permitted Debt. Except as permitted by Section 3.01 hereunder and the Loan Agreements, the Mortgagor shall not incur, assume, guarantee or otherwise become liable in respect of any debt (including Subordinated Indebtedness) other than the following: ("Permitted Debt")

- (1) Purchase money indebtedness in non-electric utility property, in an amount outstanding at any time not exceeding 10% of Total Utility Plant or 50% of Equity, whichever is greater;
- (2) Capitalized leases in an amount outstanding at any time not to exceed 5% of Total Utility Plant.
- (3) Unsecured current liabilities incurred in the ordinary course of business including accounts payable for goods and services; and
- (4) Unsecured indebtedness.

Section 4.04. Payment of Notes. The Mortgagor will duly and punctually pay the principal of (premium, if any) and interest on the Notes at the dates and places and in the manner provided therein, and all other sums becoming due hereunder.

Section 4.05. Preservation of Corporate Existence and Franchises. The Mortgagor will, so long as any of the Notes are outstanding, take or cause to be taken all such action as from time to time may be necessary to preserve its corporate existence and to preserve and renew all franchises, rights of way, easements, permits, and licenses now or hereafter to be granted or upon it conferred, and will comply with all valid laws, ordinances, regulations, and requirements applicable to it or its property.

Section 4.06. Maintenance of Mortgaged Property. So long as the Mortgagor holds title to the Mortgaged Property, the Mortgagor will at all times maintain and preserve the Mortgaged Property in good repair, working order and condition, ordinary wear and tear and acts of God excepted, and in compliance with all applicable laws, regulations and orders, and will from time to time make all necessary and proper repairs, renewals, and replacements, and useful and proper alterations, additions,

betterments and improvements, and will, subject to contingencies beyond its reasonable control, at all times keep its plant and properties in continuous operating condition and use all reasonable diligence to furnish the consumers served by it through the Mortgaged Property, or any part thereof, with an adequate supply of electric energy and other services furnished by the Mortgagor. If any substantial part of the Mortgaged Property is leased by the Mortgagor to any other party, the lease agreement between the Mortgagor and the lessee shall obligate the lessee to comply with the provisions of this Section in respect of the leased facilities and permit the Mortgagor to operate the leased facilities in the event of any failure by the lessee to so comply.

Section 4.07. Insurance; Restoration of Damaged Mortgaged Property.

The Mortgagor will take out, as the respective risks are incurred, and maintain the classes and amounts of insurance in conformance with generally accepted utility industry standards for such classes and amounts of coverages of utilities of the size and character of the Mortgagor.

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

In the event of damage to or the destruction or loss of any portion of the Mortgaged Property, the Mortgagor shall promptly replace or restore such damaged, destroyed or lost portion so that the Mortgaged Property shall be in substantially the same condition as it was in prior to such damage, destruction or loss, and shall apply the proceeds of the insurance for that purpose; provided, however, that such replacement or restoration shall not be required if the property damaged or destroyed is not necessary for, or integral to, the proper operation of any material portion of the business of Mortgagor.

Sums recovered under any policy or fidelity bond by the Mortgagor for a loss of funds advanced under the Notes or recovered by the Mortgagee for any loss under such policy or bond shall, unless otherwise directed by the Mortgagee, be applied to the prepayment of the Notes pro rata according to the unpaid principal amounts thereof (such prepayments to be applied to such notes and installments thereof as may be designated by the Mortgagee at the time of any such prepayment), or be used to construct or acquire facilities which will become part of the Mortgaged Property. At the request of the Mortgagee, the Mortgagor shall exercise such rights and remedies which it may have under such policy or fidelity bond and which may be designated by the Mortgagee, and the Mortgagor hereby irrevocably appoints the Mortgagee as its agent to exercise such rights and remedies under such policy or bond as the Mortgagee may choose, and the Mortgagor shall pay all costs and expenses incurred by the Mortgagee in connection with such exercise.

Section 4.08. Mortgagee Right to Expend Money to Protect Mortgaged Property. The Mortgagor agrees that the Mortgagee from time to time hereunder may in its sole discretion, but shall not be obligated to, after having given five (5) Business Days prior written notice to Mortgagor, advance funds on behalf of Mortgagor, in order to insure Mortgagor compliance with any covenant, warranty, representation or agreement of Mortgagor made in or pursuant to this Mortgage or any of the Loan Agreements, to preserve or protect any right or interest of the Mortgagee in the Mortgaged Property or under or pursuant to this Mortgage or any of the Loan Agreements, including without limitation, the payment of any insurance premiums or taxes and the satisfaction or discharge of any judgment or any Lien upon the Mortgaged Property or other property or assets of Mortgagor; provided, however, that the making of any such advance by the Mortgagee shall not constitute a waiver by the Mortgagee of any Event of Default with respect to which such advance is made nor relieve the Mortgagor of any such Event of Default. The Mortgagor shall pay to the Mortgagee upon demand all such advances made by the Mortgagee with interest thereon at a rate equal to the Mortgagee's rate at such time for short-term loans but in no event shall such rate be in excess of the maximum rate permitted by applicable law. All such advances shall be included in the obligations and secured by the security interest granted hereunder.

Section 4.09. Further Assurances. Upon the request of any Mortgagee hereunder, the Mortgagor shall promptly execute, acknowledge or deliver, or cause to be executed, acknowledged or delivered to such Mortgagee supplements hereto and/or financing statements and other instruments and documents as may be requested by such mortgagee to protect and preserve the Mortgaged Property, perfection of such Mortgagee's security interest therein and/or such mortgagee's rights and remedies hereunder.

Section 4.10. Application of Proceeds from Condemnation. In the event that the Mortgaged Property or any part thereof, shall be taken under the power of eminent domain, all proceeds and avails therefrom may be used to finance construction of facilities secured or to be secured by this Mortgage. Any proceeds not so used shall forthwith be applied by the Mortgagor: first, to the ratable payment of any indebtedness secured by this Mortgage other than principal of or interest on the Notes; second, to the ratable payment of interest which shall have accrued on the Notes and be unpaid; third, to the ratable payment of or on account of the unpaid principal of the Notes, to such installments thereof as may be designated by the respective holder at the time of any such payment.

Section 4.11. Compliance with Loan Agreements; Notice of Amendments to and Defaults under Loan Agreements. The Mortgagor will observe and perform all of the covenants, agreements, terms and conditions contained in any Loan Agreement entered into in connection with the issuance of any of the Notes, as from time to time amended. The Mortgagor will send promptly to each Mortgagee notice of any default by the Mortgagor under any Loan Agreement and notice of any amendment to any Loan Agreement.

Section 4.12. Rights of Way, etc. The Mortgagor will use its best efforts to obtain all such rights of way and easements from landowners as shall be necessary or

advisable in the conduct of its business, and, if requested by the Mortgagee, deliver to the Mortgagee evidence satisfactory to it that it has obtained such rights of way and easements.

Section 4.13. Notice of Change of Chief Executive Offices. The Mortgagor will promptly notify the Mortgagee in writing of any change in location of its chief executive office or the office where its records concerning accounts and contract rights are kept.

Section 4.14. Notice of Change of Name. The Mortgagor will promptly notify the Mortgagee in writing of any change to the name of Mortgagor.

ARTICLE V

REMEDIES OF THE MORTGAGEE

Section 5.01. Events of Default: Each of the following shall be an Event of Default:

(a) Payments. Default shall be made in the payment of any installment of or on account of interest on or principal of (or premium, if any associated with) any Note or Notes which shall remain unsatisfied for five (5) Business Days after written notice thereof shall have been furnished by the holder of such Note to the Mortgagor;

(b) Other Covenants. Default shall be made in the due observance or performance of any other of the covenants, conditions or agreements on the part of the Mortgagor, in any of the Notes, Loan Agreements or in this Mortgage, and such default shall continue for a period of thirty (30) days after written notice specifying such default shall have been given to the Mortgagor by the Mortgagee;

(c) Bankruptcy. The Mortgagor shall file a petition in bankruptcy or be adjudicated a bankrupt or insolvent, or shall make an assignment for the benefit of its creditors, or shall consent to the appointment of a receiver of itself or of its property, or shall institute proceedings for its reorganization or proceedings instituted by others for its reorganization, shall not be dismissed within sixty (60) days after the institution thereof;

(d) Dissolution or Liquidation. Other than as provided in subsection (c) above, the dissolution or liquidation of the Mortgagor, or failure by the Mortgagor promptly to forestall or remove any execution, garnishment or attachment of such consequence as will impair its ability to continue its business or fulfill its obligations and such execution, garnishment or attachment shall not be vacated within sixty (60) days;

(e) Corporate Existence. The Mortgagor shall forfeit or otherwise be deprived of its corporate charter or franchises, permits, easements, or licenses required to carry on any material portion of its business;

(f) Final Judgment. A final judgment in excess of \$500,000 shall be entered against the Mortgagor and shall remain unsatisfied or without a stay in respect thereof for a period of sixty (60) days;

(g) Representations and Warranties. Any representation or warranty made by the Mortgagor herein, in the Loan Agreements or in any certificate or financial statement delivered hereunder or thereunder shall prove to be false or misleading in any material respect; or

(h) Other Obligations. Default by the Mortgagor in the payment of any obligation in the amount of \$500,000 or more, 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 and with respect to which such obligation has been accelerated.

Section 5.02. Acceleration of Maturity; Rescission and Annulment.

a) Payment Defaults. If an Event of Default described in Section 5.01 related to the payment of any principal or interest installment (or premium, if any associated with) under any Note has occurred and is continuing, any Mortgagee upon which such default has occurred may declare the principal of, and any other amounts due on account of, all its Notes secured hereunder to be due and payable immediately by a notice in writing to the Mortgagor and to all other Mortgagees (failure to provide said notice to all other Mortgagees shall not effect the validity of any acceleration of the Note or Notes by such Mortgagee), and upon such declaration, all unpaid principal (premium, if any) and accrued interest so declared shall become due and payable immediately, anything contained herein or in any Note or Notes to the contrary notwithstanding. Upon receipt of actual knowledge of or any notice of acceleration by any Mortgagee, any other Mortgagee may declare the principal of all of its Notes to be due and payable immediately by a notice in writing to the Mortgagor and upon such declaration, all unpaid principal (premium, if any) and accrued interest so declared shall become due and payable immediately, anything contained herein or in any Note or Notes to the contrary notwithstanding.

(b) Other Defaults. (i) If CFC is the holder of a majority of the outstanding indebtedness secured by this Mortgage, then upon the occurrence of any other Event of Default, CFC may declare the principal (premium, if any) and accrued interest on all of its Notes secured by this Mortgage due and payable and upon such declaration, all unpaid principal (premium, if any) and interest so declared shall become due and payable immediately, anything contained herein or in any Note or Notes to the contrary notwithstanding. Should CFC not take any such action to accelerate its Notes within thirty (30) days after an Event of Default, any other Mortgagee shall have the right to declare the principal (premium, if any) and accrued interest on all Notes secured

by this Mortgage due and payable and upon such declaration, all unpaid principal (premium, if any) and interest so declared shall become due and payable immediately, anything contained herein or in any Note or Notes to the contrary notwithstanding.

(ii) If CFC is not the holder of a majority of the outstanding indebtedness secured by this Mortgage, then upon the occurrence of any other Event of Default, any Mortgagee shall have the right to declare the principal (premium, if any) and accrued interest on all Notes secured by this Mortgage due and payable immediately, anything contained herein or in any Note or Notes to the contrary notwithstanding.

(c) Rescission and Annulment. If at any time after the unpaid principal of (premium, if any) and accrued interest on any of the Notes shall have been so declared to be due and payable, all payments in respect of principal and interest which shall have become due and payable by the terms of such Note or Notes (other than amounts due as a result of the acceleration of the Notes) shall be paid to the respective Mortgagee, and all other defaults hereunder and under the Notes shall have been made good and secured to the satisfaction of each of the Mortgagees, then and in every such case, a Mortgagee who shall have declared the principal of (premium, if any) and interest on Notes held by such Mortgagee to be due and payable may, by written notice to the Mortgagor, annul such declaration and waive such default and the consequences thereof, but no such waiver shall extend to or affect any subsequent default or impair any right consequent thereon.

Section 5.03. Remedies of Mortgagee. If one or more of the Events of Default shall occur and be continuing, CFC or any holder of at least 25% of the aggregate unpaid principal balance of the Notes, personally or by attorney, in its or their discretion, may, on behalf of all of the noteholders to the fullest extent permitted by law:

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

(b) Enforcement; Receiver. Proceed to protect and enforce the rights of the Mortgagee and the rights of each mortgagee by suits or actions in equity or at law in any court or courts of competent jurisdiction, whether for specific performance of any covenant or any agreement contained herein or in aid of the execution of any power herein granted or for the foreclosure hereof or hereunder or for the sale of the Mortgaged Property, or any part thereof, or to collect the debts hereby secured or for the enforcement of such other or additional appropriate legal or equitable remedies as may be deemed necessary

or advisable to protect and enforce the rights and remedies herein granted or conferred, and in the event of the institution of any such action or suit, the mortgagee instituting such action or suit shall have the right to seek the appointment of a receiver of the Mortgaged Property and of all rents, income, revenues and profits pertaining thereto or arising therefrom, whether then past due or accruing after the appointment of such receiver, derived, received or had from the time of the commencement of such suit or action, and such receiver shall have all the usual powers and duties of receivers in like and similar cases, to the fullest extent permitted by law;

(c) Auction. Sell or cause to be sold all and singular the Mortgaged Property or any part thereof, and all right, title, interest, claim and demand of the Mortgagor therein or thereto, at public auction at such place in any county in which the property to be sold, or any part thereof, is located, at such time and upon such terms as may be specified in a notice of sale, which notice shall comply with all applicable law. Subject to all applicable provisions of law, any sale to be made under this subparagraph (c) of this Section 5.03 may be adjourned from time to time by announcement at the time and place appointed for such sale, and without further notice or publication the sale may be had at the time and place to which the same shall be adjourned; and

(d) Expenses. Any expenses incurred by any Mortgagee (including, but not limited to, receiver's fees, counsel fees, cost of advertisement, and agents' compensation) in the exercise of any of the remedies provided in this Mortgage shall be secured by this Mortgage.

Notwithstanding anything to the contrary set forth above or in any of the Loan Agreements, at the request of the Mortgagor, CFC hereby covenants and agrees that, if CFC commences a judicial foreclosure proceeding under or pursuant to the terms of this Mortgage, then CFC shall seek to obtain an order of the court having jurisdiction over such proceeding which determines that the Participation Interest more particularly described on Appendix B attached hereto shall be sold separate and apart from the other property comprising the Mortgaged Property and that such sale shall be conducted prior to the sale of any of the other Mortgaged Property. Likewise, if CFC pursues its remedies under this Mortgage by way of any nonjudicial foreclosure or other private sale of the Mortgaged Property, then CFC shall offer, or cause any other party conducting any such nonjudicial foreclosure or other private sale on CFC's behalf, to offer the Participation Interest for sale prior to liquidation and disposition of the other property comprising the Mortgaged Property. The Mortgagor covenants and agrees that thirty (30) days notice shall be deemed to be commercially reasonable notice of any such nonjudicial foreclosure or other private sale.

The foregoing agreement by CFC with respect to the order of priority of liquidation and disposition of the Mortgaged Property shall not in any way obligate CFC to purchase the Participation Interest or make any bid or offer to purchase the Participation Interest nor guarantee that any other party will bid at any such sale or that a certain purchase price will be obtained at any such sale. Neither shall the foregoing agreement by CFC limit in any manner CFC's other rights and remedies set forth in this Mortgage or otherwise, including, but not limited to, the right to effect the subsequent liquidation or disposition of the other property comprising the Mortgaged Property, in whole or in part, in such order of priority as CFC shall determine reasonable, subject to applicable law. Likewise, the Mortgagor agrees

ARTICLE VI

POSSESSION UNTIL DEFAULT-DEFEASANCE CLAUSE

Section 6.01. Possession Until Default. Until some one or more of the Events of Default shall have happened, the Mortgagor shall be suffered and permitted to retain actual possession of the Mortgaged Property, and to manage, operate and use the same and any part thereof, with the rights and franchises appertaining thereto, including, without limitation, the right to amend, terminate, or otherwise act under or with respect to any contracts or other intangible property constituting Mortgaged Property, except to the extent such right may be limited by the terms of any of the Loan Agreements, and to collect, receive, take, use and enjoy the rents, revenues, issues, earnings, income, products and profits thereof or therefrom, subject to the provisions of this Mortgage.

Section 6.02. Defeasance. If the Mortgagor shall pay or cause to be paid the whole amount of the principal of (premium, if any) and interest on the Notes at the times and in the manner therein provided, and shall also pay or cause to be paid all other sums payable by the Mortgagor hereunder or under any applicable Loan Agreement and shall keep and perform, all covenants herein required to be kept and performed by it, then and in that case, all property, rights and interest hereby conveyed or assigned or pledged shall revert to the Mortgagor and the estate, right, title and

interest of the Mortgagee shall thereupon cease, terminate and become void and the Mortgagee, in such case, on written demand of the Mortgagor but at the Mortgagor's cost and expense, shall enter satisfaction of the Mortgage upon the record. In any event, each mortgagee, upon payment in full to such mortgagee by the Mortgagor of all principal of (premium, if any) and interest on any Note held by such mortgagee and the payment and discharge by the Mortgagor of all charges due to such mortgagee hereunder or under any applicable Loan Agreement, shall execute and deliver to the Mortgagor such instrument of satisfaction, discharge or release as shall be required by law in the circumstances.

ARTICLE VII

MISCELLANEOUS

Section 7.01. Property Deemed Real Property. It is hereby declared to be the intention of the Mortgagor that any electric generating plant or plants and facilities and all electric transmission and distribution lines, or other electric or non-electric systems and facilities, embraced in the Mortgaged Property, including, without limitation, all rights of way and easements granted or given to the Mortgagor or obtained by it to use real property in connection with the construction, operation or maintenance of such plant, lines, facilities or systems, and all other property physically attached to any of the foregoing, shall be deemed to be real property.

Section 7.02. Mortgage to Bind and Benefit Successors and Assigns. All of the covenants, stipulations, promises, undertakings and agreements herein contained by or on behalf of the Mortgagor shall bind its successors and assigns, whether so specified or not, and all titles, rights and remedies hereby granted to or conferred upon the Mortgagee shall pass to and inure to the benefit of the successors and assigns of the Mortgagee and shall be deemed to be granted or conferred for the ratable benefit and security of all who shall from time to time be a Mortgagee. The Mortgagor hereby agrees to execute such consents, acknowledgments and other instruments as may be reasonably requested by the Mortgagee in connection with the assignment, transfer, mortgage, hypothecation or pledge of the rights or interests of the Mortgagee hereunder or under the Notes or in and to any of the Mortgaged Property.

Section 7.03. Headings. The descriptive headings of the various articles of this Mortgage were formulated and inserted for convenience only and shall not be deemed to affect the meaning or construction of any of the provisions hereof.

Section 7.04. Notices. All demands, notices, reports, approvals, designations, or directions required or permitted to be given hereunder shall be in writing and shall be deemed to be properly given if sent by registered or certified mail, postage prepaid, or delivered by hand, or sent by facsimile transmission, receipt confirmed, addressed to the proper party or parties at the following address:

As to the Mortgagor:

FLOWELL ELECTRIC ASSOCIATION, INC.
3220 West 500 North - Star Route, Box 180
Fillmore, Utah 84631

Attention: General Manager

As to the Mortgagee:

NATIONAL RURAL UTILITIES
COOPERATIVE FINANCE CORPORATION
Woodland Park
2201 Cooperative Way
Hemdon, Virginia 22071
Fax: (703) 709-6776

Attention: Vice-President Business Development

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

Section 7.05. Severability. The invalidity of any one or more phrases, clauses, sentences, paragraphs or provisions of this Mortgage shall not affect the remaining portions hereof, nor shall any invalidity as to any mortgagee hereunder affect the rights hereunder of any other mortgagee.

Section 7.06 Mortgage Deemed Security Agreement. To the extent that any of the property described or referred to in this Mortgage is governed by the provisions of the Uniform Commercial Code this Mortgage is hereby deemed a "security agreement" under the Uniform Commercial Code, and a "financing statement" under the Uniform Commercial Code for said security agreement. The mailing addresses of the Mortgagor as debtor, and any mortgagee as secured party are as set forth in Section 7.04 hereof.

Section 7.07. Indemnification by Mortgagor of Mortgagee. The Mortgagor agrees to indemnify and save harmless the Mortgagee against any liability or damages which any of them may incur or sustain in the exercise and performance of their rightful powers and duties hereunder. For such reimbursement and indemnity, the Mortgagee shall be secured under this Mortgage in the same manner as the Notes and all such

reimbursements for expense or damage shall be paid to the Mortgagee incurring or suffering the same with interest at the rate specified in Section 4.08 hereof.

Section 7.08. Counterparts. This Mortgage may be simultaneously executed in any number of counterparts, and all said counterparts executed and delivered, each as an original, shall constitute but one and the same instrument.

Section 7.09. Governing Law. The effect and meaning of this Mortgage and the rights of all parties hereunder shall be governed by and construed according to, the laws of the jurisdiction where the Mortgaged Property is located.

IN WITNESS WHEREOF, the Mortgagor, has caused this Mortgage and Security Agreement to be signed in its name and its corporate seal to be hereunto affixed and attested by its officers thereunto duly authorized, and NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION, as Mortgagee, has caused this Mortgage and Security Agreement to be signed in its name and its corporate seal to be hereunto affixed and attested by its officers thereunto duly authorized, all as of the day and year first above written.

FLOWELL ELECTRIC ASSOCIATION, INC.

(SEAL)



By: 

Title: General Manager

Attest: 

Title: Secretary

Executed by the Mortgagor
in the presence of:



Witnesses

NATIONAL RURAL UTILITIES
COOPERATIVE FINANCE CORPORATION

(SEAL)


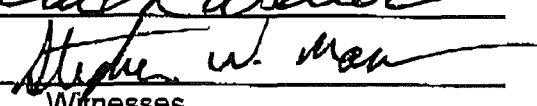
By: 

Assistant Secretary-Treasurer

Attest: 

Assistant Secretary - Treasurer

Executed by the Mortgagee
in the presence of:



Witnesses

Appendix A - Instruments Recital

The instruments referred to in the preceding recitals are as follows:

1. "Original Mortgage" as described in the first WHEREAS clause is:

Mortgage Type:

Mortgage Date:

Supplemental Mortgage and
Security Agreement

August 22, 1973

2. "Outstanding CFC Notes" as described in the fourth WHEREAS clause are:

<u>Loan Designation</u>	<u>Loan Amount</u>	<u>Note Date</u>	<u>Maturity Date</u>
UT 11-C-9001	\$ 24,000.00	08/22/73	08/22/08
UT 11-C-9002	\$ 39,000.00	05/23/74	05/23/09
UT 11-C-9005	\$ 73,000.00	05/20/77	05/20/12

3. "Current CFC Notes" as described in the fifth WHEREAS clause are:

<u>Loan Designation</u>	<u>Loan Amount</u>	<u>Note Date</u>	<u>Maturity Date</u>
UT 11-A-9006	\$ 228,711.00	as of 10/16/96	35 years from the note date
UT 11-A-9007	\$1,519,725.00	as of 10/16/96	35 years from the note date
UT 11-R-5100	\$250,000.00	as of 10/16/96	Perpetual

4. "Outstanding CFC Loan Agreements" as described in the fourth WHEREAS clause are :

<u>Loan Designation</u>	<u>Loan Agreement Date</u>
UT 11-C-9001	April 17, 1973
UT 11-C-9002	March 18, 1974
UT 11-C-9005	January 26, 1977

4. "Outstanding CFC Loan Agreements" as described in the fourth WHEREAS clause are :

<u>Loan Designation</u>	<u>Loan Agreement Date</u>
UT 11-A-9006	as of October 16, 1996
UT 11-A-9007	as of October 16, 1996
UT 11-R-5100	as of October 16, 1996

Appendix B

- (a) The County referred to in Section 2.01 is Millard in the State of Utah.
- (b) The property referred to in the Granting Clause includes the following:

All of the Mortgagor's right, title and interest in, to and under that certain Participation Agreement dated as of October 16, 1996 by and between CFC and the Mortgagor pursuant to which the Mortgagor has purchased from CFC a 2.7631.36% participation interest of a certain percent of participation in certain obligations of Deseret Generation & Transmission Co-operative ("Deseret") to RUS, which have been acquired by CFC pursuant to the terms of that certain Acquisition Agreement dated as of October 16, 1996 by and among Deseret CFC and RUS (such participation interest being herein called the "Participation Interest").

SEE ATTACHED FOR DESCRIPTION
OF OTHER PROPERTY REFERRED TO
IN THE GRANTING CLAUSE

POWER COMPANIES
05/01/96

FORM TC-250B
TX420690 (2) N
PAGE: 1
(0001)

1996 NOTICE OF ASSESSMENT
CENTRALLY ASSESSED PROPERTIES

FLOWELL ELECTRIC ASSOC., INC.
DUARN A. ROBINSON
495 N. 3200 W.
SR BOX 180
FILLMORE UT 84631
(U00830)

UTAH STATE TAX COMMISSION
PROPERTY TAX DIVISION
210 NORTH 1950 WEST
SALT LAKE CITY, UTAH 84134
TELEPHONE: (801) 297-3623

MILLARD COUNTY SCH. DIST. CODE E & K
(14-0810-0040) COUNTY KEY:

MILLARD COUNTY

(001) OTHER PROPERTY - COUNTY ID. NO. 9000366 ZZZ 36

DESCRIPTION	QUANTITY	TAXABLE VALUE
LINE 1 THREE PHASE - # OF MILES	30.11	
LINE 1 SINGLE PHASE - # OF MILES	2.13	
LINE 2 THREE PHASE - # OF MILES	16.00	
LINE 2 SINGLE PHASE - # OF MILES	12.62	
LINE 3 THREE PHASE - # OF MILES	13.30	
LINE 4 SINGLE PHASE - # OF MILES	10.46	
LINE 5 THREE PHASE - # OF MILES	62.91	

(010) PROPERTY DESC. -

COUNTY S/N:

BEG AT THE SE COR OF THE SE 1/4 OF THE NW 1/
R5W, S14, TH W 12 RODS, TH N 12 RODS, TH E 12 RODS, TH S 12
RODS TO THE BEG 0.9 AC
PERSONAL PROPERTY

(020) PROPERTY DESC. -

COUNTY S/N:

BEG AT THE NE COR OF SEC 21, T21S, R5W, S14,
S 450 FT, TH E 250 FT, TH N 450 FT TO POB. LESS STATE OF UTAH
AND MILLARD COUNTY ROADS 2.58 AC

Appendix C – Excepted Property

All automobiles, trucks, trailers, tractors or other vehicles (including, without limitation, aircraft or ships, if any) owned or used by the Mortgagor.

STATE OF UTAH)

) SS

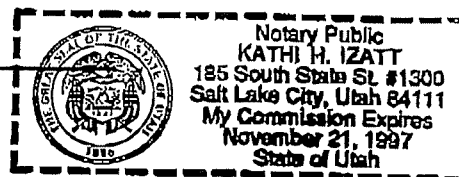
COUNTY OF SALT LAKE)

On this 4th day of October, 1996, before me appeared Durand Robison and Mark Anderson personally known, by me and having been duly sworn by me, did say that they are the General Manager and Secretary, respectively, of Flowell Electric Association, Inc., a Utah corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation, and that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors, and said General Manager and Secretary acknowledged that the execution of said instrument was a free act and deed of said corporation.

IN WITNESS whereof, I have hereunto set my hand and official seal the day and year last above written.

(Notarial Seal)

Kathi H. Izatt
Notary Public



My commission expires: 11/21/97

COMMONWEALTH OF VIRGINIA) SS

BEFORE ME, a Notary Public, in and for the Commonwealth of Virginia, appeared in person Katherine Buhl, Assistant Secretary-Treasurer of the National Rural Utilities Cooperative Finance Corporation, to me personally known, and known to be the identical person who subscribed the name of said corporation to the foregoing instrument, being by me duly sworn, and who stated that she/he is duly authorized to execute the foregoing instrument on behalf of said corporation, and further stated and acknowledged that she/he executed the foregoing instrument as a free and voluntary act and deed of said corporation for the consideration therein mentioned and set forth.

IN TESTIMONY WHEREOF, I have hereunto set my hand and official seal this 10th day of October, 1996.

(Notarial Seal)

Carmen D. Bennett
Notary Public

My commission expires: 1/31/99 CARMEN D. BENNETT

REVOLVING LINE OF CREDIT AGREEMENT

REVOLVING LINE OF CREDIT AGREEMENT (this "Agreement"), dated as of November 11, 2008, between FLOWELL ELECTRIC ASSOCIATION, INC. ("Borrower"), a corporation organized and existing under the laws of the State of Utah, and NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION ("CFC"), a cooperative association organized and existing under the laws of the District of Columbia.

RECITALS

WHEREAS, the Borrower has applied to CFC for a line of credit for the purposes set forth in Schedule 1 hereto, and CFC is willing to extend such a line of credit to the Borrower on the terms and conditions stated herein.

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

ARTICLE I

DEFINITIONS

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

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

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

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

"CFC Line of Credit Rate" shall mean the rate published by CFC from time to time, by electronic or other means, for similarly classified lines of credit, but if not published, then the rate determined for such lines of credit by CFC from time to time.

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

"Effective Date" shall mean the date designated as such by CFC on the signature page hereof.

"Environmental Laws" shall mean all federal, state and local laws, rules and regulations, now or hereafter in effect, and all judicial and administrative judgments, opinions and interpretations thereof, issued or promulgated by any Governmental Authority, relating in any way to the use, treatment, discharge, storage, management, handling, manufacture, generation, processing, recycling, distribution, transport, release of or exposure to any

Hazardous Material, as such laws and other items recited above have been or may be amended from time to time.

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

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

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

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

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

"Line of Credit" shall mean the line of credit extended by CFC to the Borrower, pursuant to this Agreement, in an aggregate principal amount outstanding at any time not to exceed the CFC Commitment.

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

"Maturity Date" shall mean the date set forth in Schedule 1 hereto.

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

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

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

"Payment Date" shall mean the last day of each of March, June, September and December.

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

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

ARTICLE II

REPRESENTATIONS AND WARRANTIES

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

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

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

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

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

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

D. Taxes. The Borrower has filed or caused to be filed all federal, state and local tax returns which are required to be filed and has paid or caused to be paid all federal, state and local taxes, assessments, and governmental charges and levies thereon, including interest and

penalties to the extent that such taxes, assessments, and governmental charges and levies have become due, except for such taxes, assessments, and governmental charges and levies which the Borrower is contesting in good faith by appropriate proceedings for which adequate reserves have been set aside.

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

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

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

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

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

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

K. Disclosure. To the Borrower's knowledge, information and belief, neither this Agreement nor any document, certificate or financial statement furnished to CFC by or on behalf

of the Borrower in connection herewith (all such documents, certificates and financial statements, taken as a whole) contains any untrue statement of a material fact or omits to state any material fact necessary in order to make the statements contained herein and therein not misleading.

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

M. Environmental Matters. Except as to matters which individually or in the aggregate would not have a material adverse effect upon the business, operations, prospects, assets, liabilities or financial condition of the Borrower or its Subsidiaries, (i) the Borrower is in compliance with all Environmental Laws, (ii) the Borrower has obtained all permits, licenses and other approvals required under any Environmental Law and all such permits, licenses and approvals are in full force and effect, (iii) there have been no releases from any underground or aboveground storage tanks (or piping associated therewith) that are or were present at the Mortgaged Property, (iv) the Borrower has not received written notice of, or claim or liability related to, any violation of any Environmental Law (v) there is no pending investigation of the Borrower in regard to any Environmental Law and (vi) to the best of the Borrower's knowledge, there has not been any release, or contamination resulting from the presence, of Hazardous Materials by, or otherwise related to the actions of the Borrower, or on property owned, leased or operated by the Borrower.

ARTICLE III

CREDIT TERMS

Section 3.01 Advances. CFC agrees to advance funds to the Borrower pursuant to the terms and conditions hereof, provided, however, that the principal amount at any time outstanding under this Agreement shall not exceed the CFC Commitment. The Borrower may borrow, repay and reborrow funds at any time or from time up to, but not including, the Maturity Date, at which time all principal amounts outstanding, and accrued, but unpaid interest thereon, shall be due and payable in full.

Section 3.02 Payment and Interest Rate. The Line of Credit shall be payable and bear interest as follows:

A. Interest Rate and Payment. The Borrower unconditionally promises and agrees to pay, as and when due, interest on all amounts advanced hereunder from the date of each Advance and to repay all amounts advanced hereunder with interest on the Maturity Date, if not sooner paid. Interest shall be due and payable on each Payment Date. CFC shall send a payment notice to the Borrower at least five days prior to the due date of any interest payment, provided, however, that CFC's failure to send a payment notice shall not constitute a waiver by CFC or be deemed to relieve the Borrower of its obligation to make payments as and when due as provided for herein. All amounts shall be payable at CFC's main office at 2201 Cooperative Way, Herndon, Virginia 20171-3025 or at such other location as designated by CFC from time to time. The interest rate on all Advances will be equal to the CFC Line of Credit Rate in effect from

time to time, which shall not exceed the Prevailing Bank Prime Rate (as defined herein), plus one percent per annum. Interest will be computed on the basis of a 365 day year for the actual number of days that any Advance is outstanding. The effective date of an interest rate adjustment will be determined from time to time by CFC, provided that no such adjustment may be effective on a date other than the first or sixteenth day of any month, and any such adjustment shall remain in effect until any subsequent change in the interest rate occurs.

The "Prevailing Bank Prime Rate" is that bank prime rate published in the "Money Rates" column of the eastern edition of *The Wall Street Journal* on the publication day immediately preceding the day on which an adjustment in the interest rate hereof shall become effective. If *The Wall Street Journal* shall cease publishing the Prevailing Bank Prime Rate, the Prevailing Bank Prime Rate shall be determined by CFC by reference to another publication reporting bank prime rates in a similar manner.

B. Application of Payments. Each payment shall be applied to the Obligations, first to any fees, costs, expenses or charges other than interest or principal then due on the Borrower's indebtedness to CFC, second to interest accrued and the balance to principal.

Section 3.03 Paydown Requirement. For each 12-month period while this Agreement is in effect, Borrower shall, for a period of at least five consecutive Business Days, pay down the entire outstanding principal balance on this line of credit ("Paydown"). Borrower shall make the initial Paydown within 360 days of the first Advance hereunder, and shall make each subsequent Paydown within 360 days of the date of the first Advance following each Paydown.

Section 3.04 Limitation on Advances. While an Advance is outstanding, CFC reserves the right to limit further Advances if the sum of (a) all Advances outstanding, (b) the amount of any further Advance requested, and (c) the total amount of Borrower's other unsecured outstanding debt, would exceed the CFC Commitment. CFC may in its sole discretion decline to make any Advance during any period when the Borrower is in default hereunder.

Section 3.05 Mandatory Prepayment. If there is a change in the Borrower's corporate structure (including without limitation by merger, consolidation, conversion or acquisition), then upon the effective date of such change, (a) the Borrower shall no longer have the ability to request, and CFC shall have no obligation to make, Advances hereunder and (b) the Borrower shall prepay the outstanding principal balance of all Obligations, together with any accrued but unpaid interest thereon, any unpaid costs or expenses provided for herein, and a prepayment premium prescribed by CFC pursuant to its policies of general application in effect from time to time, and upon prepayment thereof, this Agreement shall automatically terminate without further action by either Borrower or CFC.

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

Section 3.06 Termination and Cancellation of Existing Agreement. Borrower agrees that its existing line of credit No. UT011-R-5100 with CFC and any agreement(s) relating thereto shall be terminated and any outstanding principal, interest and other amounts outstanding

thereunder shall be transferred to the line of credit established pursuant to this Agreement and deemed an Advance hereunder.

Section 3.07 Default Rate. If Borrower defaults on its obligation to make a payment due hereunder by the applicable Payment Date, and such default continues for thirty days thereafter, then beginning on the thirty-first day after the Payment Date and for so long as such default continues, Advances shall bear interest at the Default Rate.

ARTICLE IV

CONDITIONS OF LENDING

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

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

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

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

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

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

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

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

G. Requisitions. Borrower will requisition each Advance by submitting its requisition to CFC in form and substance satisfactory to CFC no later than 12:00 noon local time at CFC's offices in Herndon, Virginia on the Business Day prior to the Business Day Borrower seeks to have funds advanced.

CFC may require the Borrower to submit such additional information as it may reasonably require prior to funding the Advance request.

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

ARTICLE V

COVENANTS

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

A. Use of Proceeds. The Borrower shall use the proceeds of this Line of Credit solely for the purposes identified on Schedule 1 hereto.

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

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

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

D. Financial Books; Financial Reports; Right of Inspection. The Borrower will at all times keep, and safely preserve, proper books, records and accounts in which full and true entries will be made of all of the dealings, business and affairs of the Borrower, in accordance

with GAAP. The Borrower will cause to be prepared and furnished to CFC within one hundred twenty (120) days of the end of each of the Borrower's fiscal years during the term hereof, a full and complete consolidated and consolidating report of its financial condition and of its operations as of the end of such fiscal year, audited and certified by independent certified public accountants nationally recognized or otherwise satisfactory to CFC and accompanied by a report of such audit in form and substance satisfactory to CFC, including without limitation a consolidated and consolidating balance sheet and the related consolidated and consolidating statements of income and cash flow. CFC, through its representatives, shall at all times during reasonable business hours and upon prior notice have access to, and the right to inspect and make copies of, any or all books, records and accounts, and any or all invoices, contracts, leases, payrolls, canceled checks, statements and other documents and papers of every kind belonging to or in the possession of the Borrower or in anyway pertaining to its property or business.

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

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

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

H. Environmental Covenants. The Borrower shall:

- (i) Comply in all respects with all applicable Environmental Laws, and the Borrower shall have sole responsibility for any and all costs and expenses associated with such compliance;
- (ii) Conduct and complete, at its sole cost and expense, any investigation, study, sampling, monitoring and testing and undertake any cleanup, removal, remedial, corrective, mitigation, response or other action necessary to comply with applicable Environmental Laws; and

Within ten (10) Business Days after receiving any written communication alleging any potential or actual violation of, or claim or liability related to, any Environmental Law, the Borrower shall provide CFC with a copy thereof. With respect to any matter as to which it has received such notice, the Borrower shall immediately take any and all appropriate actions to remedy, cure,

defend, or otherwise affirmatively respond to the matter in full compliance with all applicable Environmental Laws.

I. Special Covenants. The Borrower will comply with any special covenants identified in Schedule 1 hereto.

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

A. Organizational Change. Change Borrower's type of organization, jurisdiction of organization or legal structure.

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

ARTICLE VI

EVENTS OF DEFAULT

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

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

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

C. Other Covenants.

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

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

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

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

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

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

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

I. Dissolution or Liquidation. Other than as provided in subsection H. above, the dissolution or liquidation of the Borrower, or failure by the Borrower promptly to forestall or remove any execution, garnishment or attachment of such consequence as will impair its ability to continue its business or fulfill its obligations and such execution, garnishment or attachment shall not be vacated within sixty (60) days.

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

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

L. Nonmonetary Judgment. One or more nonmonetary judgments or orders (including, without limitation, injunctions, writs or warrants of attachment, garnishment,

execution, distraint, replevin or similar process) shall be rendered against the Borrower that, either individually or in the aggregate, could reasonably be expected to have a material adverse effect upon the business, operations, prospects, assets, liabilities or financial condition of the Borrower.

ARTICLE VII

REMEDIES

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

- (a) Cease making Advances hereunder;
- (b) Declare all unpaid principal outstanding on the Line of Credit, all accrued and unpaid interest thereon, and all other Obligations to be immediately due and payable and the same shall thereupon become immediately due and payable without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived;
- (c) Exercise rights of setoff or recoupment and apply any and all amounts held, or hereby held, by CFC or owed to the Borrower or for the credit or account of the Borrower against any and all of the Obligations of the Borrower now or hereafter existing hereunder or under the Line of Credit, including, but not limited to, patronage capital allocations and retirements, money due to Borrower from equity certificates purchased from CFC, and any membership or other fees that would otherwise be returned to Borrower. The rights of CFC under this section are in addition to any other rights and remedies (including other rights of setoff or recoupment) which CFC may have. The Borrower waives all rights of setoff, deduction, recoupment or counterclaim;
- (d) Pursue all rights and remedies available to CFC that are contemplated by the Mortgage and the other Loan Documents in the manner, upon the conditions, and with the effect provided in the Mortgage and the other Loan Documents, including, but not limited to, a suit for specific performance, injunctive relief or damages;
- (e) Pursue any other rights and remedies available to CFC at law or in equity.

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

ARTICLE VIII

MISCELLANEOUS

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

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

The Borrower:

The address set forth in
Schedule 1 hereto

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

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

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

Section 8.04. Non-Business Day Payments. If any payment to be made by the Borrower hereunder shall become due on a day which is not a Business Day, such payment

shall be made on the next succeeding Business Day and such extension of time shall be included in computing any interest in respect of such payment.

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

Section 8.06 CFC Accounts. Borrower agrees that the records of, and all computations by, CFC (in whatever media they are recorded or maintained) as to the amount of principal, interest and fees due on the Line of Credit shall be conclusive in the absence of manifest error.

Section 8.07 Waiver; Modification. No failure on the part of CFC to exercise, and no delay in exercising, any right or power hereunder or under the other Loan Documents shall operate as a waiver thereof, nor shall any single or partial exercise by CFC of any right hereunder, or any abandonment or discontinuance of steps to enforce such right or power, preclude any other or further exercise thereof or the exercise of any other right or power. No modification or waiver of any provision of this Agreement or the other Loan Documents and no consent to any departure by the Borrower therefrom shall in any event be effective unless the same shall be in writing by the party granting such modification, waiver or consent, and then such modification, waiver or consent shall be effective only in the specific instance and for the purpose for which given.

SECTION 8.08 GOVERNING LAW; SUBMISSION TO JURISDICTION; WAIVER OF JURY TRIAL.

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

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

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

SECTION 8.09 INDEMNIFICATION. THE BORROWER HEREBY INDEMNIFIES AND AGREES TO HOLD HARMLESS, AND DEFEND CFC AND ITS MEMBERS, DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, ATTORNEYS AND REPRESENTATIVES (EACH AN "INDEMNITEE") FOR, FROM, AND AGAINST ALL CLAIMS, DAMAGES, LOSSES, LIABILITIES, COSTS, AND EXPENSES (INCLUDING, WITHOUT LIMITATION, COSTS AND EXPENSES OF LITIGATION AND REASONABLE ATTORNEYS' FEES) ARISING FROM ANY CLAIM OR DEMAND IN RESPECT OF THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS, THE MORTGAGED PROPERTY, OR THE TRANSACTIONS DESCRIBED IN THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS AND ARISING AT ANY TIME, WHETHER BEFORE OR AFTER PAYMENT AND PERFORMANCE OF ALL OBLIGATIONS UNDER THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS IN FULL, EXCEPTING ANY SUCH MATTERS ARISING SOLELY FROM THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF CFC OR ANY INDEMNITEE. NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN SECTION 8.11 HEREOF, THE OBLIGATIONS IMPOSED UPON THE BORROWER BY THIS SECTION SHALL SURVIVE THE REPAYMENT OF THE LINE OF CREDIT, THE TERMINATION OF THIS AGREEMENT AND THE TERMINATION OR RELEASE OF THE LIEN OF THE MORTGAGE.

Section 8.10 Complete Agreement. This Agreement, together with the schedules to this Agreement and the other Loan Documents, and the other agreements and matters referred to herein or by their terms referring hereto, is intended by the parties as a final expression of their agreement and is intended as a complete statement of the terms and conditions of their agreement. In the event of any conflict in the terms and provisions of this Agreement and any other Loan Documents, the terms and provisions of this Agreement shall control.

Section 8.11 Survival; Successors and Assigns. All covenants, agreements, representations and warranties of the Borrower which are contained in this Agreement shall survive the execution and delivery to CFC of the Loan Documents and the making of the Advances hereunder and shall continue in full force and effect until all of the obligations under the Loan Documents have been paid in full. All covenants, agreements, representations and warranties of the Borrower which are contained in this Agreement shall inure to the benefit of the successors and assigns of CFC. The Borrower shall not have the right to assign its rights or obligations under this Agreement.

Section 8.12 Use of Terms. The use of the singular herein shall also refer to the plural, and vice versa.

Section 8.13 Headings. The headings and sub-headings contained in this Agreement are intended to be used for convenience only and do not constitute part of this Agreement.

Section 8.14 Severability. If any term, provision or condition, or any part thereof, of this Agreement or the other Loan Documents shall for any reason be found or held invalid or unenforceable by any governmental agency or court of competent jurisdiction, such invalidity or unenforceability shall not affect the remainder of such term, provision or condition nor any other term, provision or condition, and this Agreement and the other Loan Documents shall survive

and be construed as if such invalid or unenforceable term, provision or condition had not been contained therein.

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

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

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

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

FLOWELL ELECTRIC ASSOCIATION, INC.

(SEAL)

By: _____

Title: _____

Attest: _____

Secretary

NATIONAL RURAL UTILITIES COOPERATIVE
FINANCE CORPORATION

(SEAL)

By: _____

Assistant Secretary-Treasurer

Attest: _____

Assistant Secretary-Treasurer

DAVID W OLAH

BRUCE MACNEIL

Effective Date: 03/30/2009 (to be filled in by CFC)

Loan Number: UT011-P-5101

SCHEDULE 1

1. The purpose of this Line of Credit is to provide funds for the Borrower's general corporate use, consistent with the Borrower's articles of incorporation, bylaws and applicable federal, state and local laws and regulations.
2. The aggregate CFC Commitment shall mean \$1,000,000.00.
3. Maturity Date shall mean the date twelve (12) months from the Effective Date. This Agreement shall thereafter automatically renew for subsequent periods of twelve (12) months each. Either party may terminate this Agreement at the end of any period by providing written notice to the other party at least ninety (90) days prior to the expiration of such period.
4. The Mortgage shall mean the Restated Mortgage and Security Agreement dated as of even date herewith between the Borrower and CFC, as it may or shall be supplemented, amended, consolidated, or restated from time to time.
5. The date of the Borrower's balance sheet referred to in Section 2.01.G. is December 31, 2006 and 2007.
6. The Borrower's exact legal name is: Flowell Electric Association, Inc.
7. The Borrower's organizational type is: Corporation
8. The Borrower is organized under the laws of the state of: Utah
9. The Borrower's organizational identification number is: 561715-0140
10. The place of business or, if more than one, the chief executive office of the Borrower referred to in Section 2.01.I. is 495 North 3200 West, Fillmore, Utah 84631.
11. The Governmental Authority referred to in Section 2.01.H. is: Utah Public Service Commission.
12. The special conditions referred to in Section 4.01.F. are as follows: None
13. The special covenants referred to in Section 5.01.I. are as follows: None
14. The address for notices to the Borrower referred to in Section 8.01 is 495 North 3200 West, Fillmore, Utah 84631, Attention: President/CEO, Fax: (435) 743-5722.

LOAN AGREEMENT

LOAN AGREEMENT (this "Agreement") dated as of May 11, 2010, between FLOWELL ELECTRIC ASSOCIATION, INC. ("Borrower"), a corporation organized and existing under the laws of the State of Utah and NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION ("CFC"), a cooperative association organized and existing under the laws of the District of Columbia.

RECITALS

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

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

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

ARTICLE I

DEFINITIONS

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

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

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

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

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

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

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

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

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

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

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

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

"Capital Certificate" shall mean a certificate, or book entry form of account, evidencing the Borrower's purchase of subordinated debt instruments issued by CFC from time to time. Such instruments may be denoted by CFC as "Loan Capital Term Certificates", "Member Capital Securities", "Subordinated Term Certificates", or other like designations.

"Conversion Request" shall mean a written request to CFC from any duly authorized officer or other employee of the Borrower requesting an interest rate conversion available pursuant to the terms of this Agreement.

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

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

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

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

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

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

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

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

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

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

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

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

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

"LCTC Purchase Provisions" shall mean the specific conditions and covenants in any Prior Loan Document requiring the Borrower to purchase subordinated debt instruments issued by CFC that may be referred to in Prior Loan Documents as "LCTCs", "Loan Capital Term Certificates", "Capital Certificates", "Equity Certificates", "Subordinated Term Certificates" or Instruments with other like designations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

both, by such Person. Unless otherwise qualified, all references to a "Subsidiary" or to "Subsidiaries" in this Agreement shall refer to a Subsidiary or Subsidiaries of the Borrower.

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

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

ARTICLE II

REPRESENTATIONS AND WARRANTIES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE III

LOAN

Section 3.01 Advances. The Borrower shall submit its request for an Advance to CFC in writing (which may be submitted by facsimile) no later than 12:00 noon local time at CFC's offices in Herndon, Virginia on the Business Day prior to the Business Day the Borrower seeks to have funds advanced.

At the end of the Draw Period, CFC shall have no further obligation to make Advances. The obligation of the Borrower to repay the Advances shall be evidenced by one or more Notes.

Section 3.02 Interest Rate and Payment. Notes shall be payable and bear interest as follows:

A. Payments; Maturity; Amortization.

(i) Each Note shall have a Maturity Date that is not more than forty (40) years from the date hereof, *provided, however*, that if such date is not a Payment Date, then the Maturity Date shall be the Payment Date immediately preceding such date.

(ii) Prior to or at the time of each Advance, the Borrower shall elect, with respect to such Advance, (1) an amortization method for principal, or (2) not to amortize principal. If no election is made, then the Advance shall amortize over a period ending on the earlier of the date that is thirty-five (35) years from the date of such Advance and the Maturity Date.

(a) *Amortizing Advances*: Each Advance that the Borrower elects to amortize shall amortize over a period not to exceed thirty-five (35) years from the date of such Advance, *provided, however*, that such period shall not extend beyond the Maturity Date. For each Advance, the Borrower shall promptly pay interest in the amount invoiced on each Payment Date until the first Payment Date of the Billing Cycle in which the Amortization Basis Date occurs. On such Payment Date, and on each Payment Date thereafter, the Borrower shall promptly pay interest and principal in the amounts invoiced. If not sooner paid, any amount due on account of the unpaid principal, interest accrued thereon and fees, if any, shall be due and payable on the Maturity Date. The amortization method for each Advance shall be as stated on Schedule 1 or, if not so stated, then as stated on the written requisition for such Advance submitted by the Borrower to CFC pursuant to the terms hereof.

(b) *Non-Amortizing Advances*: Each Advance that the Borrower elects not to amortize shall be repaid within thirty-five (35) years from the date of such Advance, or the Maturity Date, whichever is earlier. On each Payment Date, the Borrower shall promptly pay interest only until the final Payment Date corresponding to the term of such Advance, or the Maturity Date (whichever is applicable), upon which date all unpaid principal, interest accrued thereon and fees, if any, shall be due and payable. If the term of a non-amortizing Advance ends on a date that is not a Payment Date, then the repayment of such Advance shall be due and payable on the Payment Date immediately preceding such date.

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

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

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

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

(i) CFC Fixed Rate. If the Borrower selects a CFC Fixed Rate for an Advance, then such rate shall be in effect for the CFC Fixed Rate Term selected by the Borrower. CFC shall provide the Borrower with at least sixty (60) days prior written or electronic notice of the Interest Rate Reset Date for such Advance. The Borrower may then select any available interest rate option for such Advance pursuant to CFC's policies of general application. The Advance shall

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

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

Section 3.03 Conversion of Interest Rates. The Borrower may at any time exercise any or all of the following interest rate conversion options by submitting a Conversion Request. The effective date of the interest rate conversion shall be determined by CFC pursuant to its policies of general application.

A. CFC Variable Rate to a CFC Fixed Rate. The Borrower may convert the interest rate on an outstanding Advance from the CFC Variable Rate to a CFC Fixed Rate without a fee. Upon such conversion, the new interest rate shall be the CFC Fixed Rate in effect on the date of the Conversion Request for the CFC Fixed Rate Term selected by the Borrower.

B. CFC Fixed Rate to CFC Variable Rate. The Borrower may convert the interest rate on an outstanding Advance from a CFC Fixed Rate to the CFC Variable Rate, provided that the Borrower promptly pays the invoiced amount for any applicable conversion fee calculated pursuant to CFC's long-term loan policies as established from time to time for similarly classified long-term loans. Upon such conversion, the new interest rate shall be the CFC Variable Rate in effect on the date of the Conversion Request.

C. A CFC Fixed Rate to Another CFC Fixed Rate. The Borrower may convert the interest rate on an outstanding Advance from a CFC Fixed Rate to a different CFC Fixed Rate by selecting a different CFC Fixed Rate Term, provided that the Borrower promptly pays the invoiced amount for any applicable conversion fee calculated pursuant to CFC's long-term loan policies as established from time to time for similarly classified long-term loans. Upon such conversion, the new interest rate shall be the CFC Fixed Rate in effect on the date of the Conversion Request for the new CFC Fixed Rate Term selected by the Borrower.

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

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

Section 3.05 Mandatory Prepayment. If there is a change in the Borrower's corporate structure (including without limitation by merger, consolidation, conversion or acquisition), then upon the effective date of such change, (a) the Borrower shall no longer have the ability to request, and CFC shall have no obligation to make, Advances hereunder and (b) the Borrower shall prepay the outstanding principal balance of all Obligations, together with any accrued but unpaid interest thereon, any unpaid costs or expenses provided for herein, and a prepayment premium as set forth in any agreement between the Borrower and CFC with respect to any such Obligation or, if not specified therein, as prescribed by CFC pursuant to its policies of general application in effect from time to time.

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

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

ARTICLE IV

CONDITIONS OF LENDING

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

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

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

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

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

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

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

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

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

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

ARTICLE V

COVENANTS

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

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

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

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

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

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

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

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

E. Annual Certificates.

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

(ii) The Borrower shall deliver to CFC within one hundred twenty (120) days after the close of each calendar year, a certification, in form and substance satisfactory to CFC, regarding the condition of the Mortgaged Property prepared by a professional engineer satisfactory to CFC. The Borrower shall also deliver to CFC such other information as CFC may reasonably request from time to time.

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

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

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

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

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

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

L. Further Assurances. The Borrower shall execute any and all further documents, financing statements, agreements and instruments, and take all such further actions (including the filing and recording of financing statements, fixture filings, mortgages, deeds of trust and other documents), which may be required under any applicable law, or which

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

M. Environmental Covenants. Borrower shall:

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

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

N. Limitations on Loans, Investments and Other Obligations. The aggregate amount of all purchases, investments, loans, guarantees, commitments and other obligations described in Section 5.02.D(i). of this Agreement shall at all times be less than fifteen percent (15%) of Total Utility Plant or fifty percent (50%) of Equity, whichever is greater.

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

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

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

B. Limitations on Sale, Lease or Transfer of Capital Assets; Application of Proceeds. Sell, lease or transfer (or enter into an agreement to sell, lease or transfer) any capital asset, except in accordance with this Section 5.02.B. If no Event of Default (and no event which with notice or lapse of time and notice would become an Event of Default) shall have occurred and be continuing, the Borrower may, without the prior written consent of CFC, sell, lease or transfer (or enter into an agreement to sell, lease or transfer) any capital asset in exchange for fair market value consideration paid to the Borrower if the value of such capital asset is less than five percent (5%) of Total Utility Plant and the aggregate value of capital assets sold, leased or transferred in any 12-month period is less than ten percent (10%) of Total Utility Plant. If the Borrower does sell, lease or transfer any capital assets, then the proceeds thereof (less ordinary and reasonable expenses incident to such transaction) shall immediately (i) be applied as a prepayment of the Note, to such installments as may be designated by CFC at the time of any such prepayment; (ii) in the case of dispositions of equipment, material or scrap, applied to the purchase of other property useful in the Borrower's business, although not necessarily of the same kind as the property disposed of, which shall forthwith become subject to the lien of the Mortgage;

or (iii) applied to the acquisition or construction of other property or in reimbursement of the costs of such property.

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

(i) Make any Distribution if an Event of Default under this Agreement has occurred and is continuing; or

(ii) Make a Distribution in any calendar year in an amount greater than thirty percent (30%) of the Borrower's total margins for the preceding calendar year, unless, after giving effect to the Distribution, the total Equity of the Borrower will be at least twenty percent (20%) of its Total Assets.

D. Limitations on Loans, Investments and Other Obligations.

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

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

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

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

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

ARTICLE VI
EVENTS OF DEFAULT

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

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

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

C. Other Covenants.

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

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

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

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

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

G. Involuntary Bankruptcy. An involuntary case or other proceeding shall be commenced against the Borrower seeking liquidation, reorganization or other relief with respect to it or its debts under bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it

or any substantial part of its property and such involuntary case or other proceeding shall continue without dismissal or stay for a period of sixty (60) days; or an order for relief shall be entered against the Borrower under the federal bankruptcy laws or applicable state law as now or hereafter in effect.

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

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

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

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

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

ARTICLE VII

REMEDIES

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

- (i) Cease making Advances hereunder;

- (ii) Declare all unpaid principal outstanding on the Note, all accrued and unpaid interest thereon, and all other Obligations to be immediately due and payable and the same shall thereupon become immediately due and payable without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived;
- (iii) Exercise rights of setoff or recoupment and apply any and all amounts held, or hereafter held, by CFC or owed to the Borrower or for the credit or account of the Borrower against any and all of the Obligations of the Borrower now or hereafter existing hereunder or under the Note, including, but not limited to, patronage capital allocations and retirements, money due to Borrower from equity certificates purchased from CFC, and any membership or other fees that would otherwise be returned to Borrower. The rights of CFC under this section are in addition to any other rights and remedies (including other rights of setoff or recoupment) which CFC may have. The Borrower waives all rights of setoff, deduction, recoupment or counterclaim;
- (iv) Pursue all rights and remedies available to CFC that are contemplated by the Mortgage and the other Loan Documents in the manner, upon the conditions, and with the effect provided in the Mortgage and the other Loan Documents, including, but not limited to, a suit for specific performance, injunctive relief or damages;
- (v) Pursue any other rights and remedies available to CFC at law or in equity.

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

ARTICLE VIII

MISCELLANEOUS

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

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

Fax # 703-709-6776

The Borrower:

The address set forth in
Schedule 1 hereto

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

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

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

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

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

Section 8.06 Waiver; Modification. No failure on the part of CFC to exercise, and no delay in exercising, any right or power hereunder or under the other Loan Documents shall operate as a waiver thereof, nor shall any single or partial exercise by CFC of any right

hereunder, or any abandonment or discontinuance of steps to enforce such right or power, preclude any other or further exercise thereof or the exercise of any other right or power. No modification or waiver of any provision of this Agreement, the Note or the other Loan Documents and no consent to any departure by the Borrower therefrom shall in any event be effective unless the same shall be in writing by the party granting such modification, waiver or consent, and then such modification, waiver or consent shall be effective only in the specific instance and for the purpose for which given.

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

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

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

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

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

Section 8.09 Complete Agreement. This Agreement, together with the schedules to this Agreement, the Note and the other Loan Documents, and the other agreements and matters referred to herein or by their terms referring hereto, is intended by the parties as a final

expression of their agreement and is intended as a complete statement of the terms and conditions of their agreement. In the event of any conflict in the terms and provisions of this Agreement and any other Loan Documents, the terms and provisions of this Agreement shall control.

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

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

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

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

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

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

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

Section 8.17 Reserved.

Section 8.18 Schedule 1. Schedule 1 attached hereto is an integral part of this Agreement.

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

(SEAL)

FLOWELL ELECTRIC ASSOCIATION, INC.

By: [Signature]
Title: General Manager

Attest: [Signature]
Secretary

NATIONAL RURAL UTILITIES
COOPERATIVE FINANCE CORPORATION

(SEAL)

By: [Signature]
Assistant Secretary-Treasurer

MARIANNE L DUSOLD

Attest: [Signature]
Assistant Secretary-Treasurer

Bryan Russell

SCHEDULE 1

1. The Borrower shall use the proceeds of this loan solely for any or all of the following purposes: (A) to own or to operate any of the property listed in (i) through (vi) below (whether such property now exists or is hereafter constructed by the Borrower or acquired by lease, contract, purchase or otherwise); (B) to own or to operate any interest or other participation in any of such property; (C) to own or to exercise any rights to the output or capacity of any such property; and (D) for the reasonable costs and expenses incurred by the Borrower in connection with any of such property *provided, however*, that the Borrower may also use the proceeds of this loan to purchase Capital Certificates as required herein.:
 - (i) interests in all electric generation, transmission, distribution, conservation, load management, general plant and other facilities related to the Borrower's electric business;
 - (ii) interests in, and equipment or property (real or personal) used in the operation of, any mine, well, pipeline, plant, structure or other facility used for the development, production, manufacture, storage, fabrication or processing of fuel for the Borrower's electric business;
 - (iii) with CFC's prior written consent, interests in, and equipment or property (real or personal) used in the operation of, any mine, well, pipeline, plant, structure or other facility with respect to the supply of water in connection with the Borrower's electric business;
 - (iv) with CFC's prior written consent, water and waste systems, solid waste disposal facilities, natural gas distribution systems, telecommunications and other electronic communications systems, in each case located substantially within the Borrower's electric service territory;
 - (v) with CFC's prior written consent, interests in other community infrastructure located substantially within the Borrower's electric service territory and not specifically identified herein; and
 - (vi) with respect to each of the foregoing (i) through (v):
 - (a) all property, fixtures, structures and other property associated therewith;
 - (b) all additions, betterments, extensions, and improvements thereto;
 - (c) all lands, easements and rights-of-way associated therewith; and
 - (d) all licenses, contract rights and other tangible and intangible assets used or useful in connection with or related thereto.
2. The aggregate CFC Commitment is \$2,000,000.00. Within this aggregate amount, the Borrower may, at its discretion, execute one or more Notes, each Note representing a separate loan with CFC and containing a face amount and Maturity Date in accordance with the terms, conditions and provisions of this Agreement.

3. Draw Period shall mean the period of beginning on the date hereof and ending on the date that is five (5) years thereafter.
4. The Mortgage shall mean the Restated Mortgage and Security Agreement dated as of November 11, 2008 between the Borrower and CFC, as it may have been or shall be supplemented, amended, consolidated, or restated from time to time.
5. The Notes executed pursuant hereto and the amortization method for such Notes are as follows:

LOAN NUMBER	AMOUNT	AMORTIZATION METHOD
UT011-V-9009	\$2,000,000.00	As selected by Borrower in a written funds requisition at the time of Advance

6. The Payment Date months are February, May, August and November.
7. The Subsidiaries of the Borrower referred to in Section 2.01.B are:

<u>Name of Subsidiary</u>	<u>% of Borrower's ownership</u>
N/A	
8. The date of the Borrower's balance sheet referred to in Section 2.01.H is December 31, 2007 and 2008.
9. The Borrower's exact legal name is: Flowell Electric Association, Inc.
10. The Borrower's organizational type is: Corporation
11. The Borrower is organized under the laws of the state of: Utah
12. The Borrower's organizational identification number is: 561715-0140
13. The place of business or, if more than one, the chief executive office of the Borrower referred to in Section 2.01.I is 495 North 3200 West, Fillmore, Utah 84631.
14. The Governmental Authority referred to in Section 2.01.J is: Utah Public Service Commission.
15. The special conditions referred to in Section 4.01.I are: None
16. The special covenants referred to in Section 5.01.O are as follows: None
17. The address for notices to the Borrower referred to in Section 8.01 is 495 North 3200 West,
Fillmore, Utah 84631, Attention: General Manager, Fax: (435) 743-5722.

REVOLVING LINE OF CREDIT AGREEMENT

REVOLVING LINE OF CREDIT AGREEMENT (this "Agreement"), dated as of November 11, 2008, between FLOWELL ELECTRIC ASSOCIATION, INC. ("Borrower"), a corporation organized and existing under the laws of the State of Utah, and NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION ("CFC"), a cooperative association organized and existing under the laws of the District of Columbia.

RECITALS

WHEREAS, the Borrower has applied to CFC for a line of credit for the purposes set forth in Schedule 1 hereto, and CFC is willing to extend such a line of credit to the Borrower on the terms and conditions stated herein.

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

ARTICLE I

DEFINITIONS

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

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

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

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

"CFC Line of Credit Rate" shall mean the rate published by CFC from time to time, by electronic or other means, for similarly classified lines of credit, but if not published, then the rate determined for such lines of credit by CFC from time to time.

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

"Effective Date" shall mean the date designated as such by CFC on the signature page hereof.

"Environmental Laws" shall mean all federal, state and local laws, rules and regulations, now or hereafter in effect, and all judicial and administrative judgments, opinions and interpretations thereof, issued or promulgated by any Governmental Authority, relating in any way to the use, treatment, discharge, storage, management, handling, manufacture, generation, processing, recycling, distribution, transport, release of or exposure to any

Hazardous Material, as such laws and other items recited above have been or may be amended from time to time.

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

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

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

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

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

"Line of Credit" shall mean the line of credit extended by CFC to the Borrower, pursuant to this Agreement, in an aggregate principal amount outstanding at any time not to exceed the CFC Commitment.

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

"Maturity Date" shall mean the date set forth in Schedule 1 hereto.

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

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

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

"Payment Date" shall mean the last day of each of March, June, September and December.

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

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

ARTICLE II

REPRESENTATIONS AND WARRANTIES

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

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

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

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

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

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

D. Taxes. The Borrower has filed or caused to be filed all federal, state and local tax returns which are required to be filed and has paid or caused to be paid all federal, state and local taxes, assessments, and governmental charges and levies thereon, including interest and

penalties to the extent that such taxes, assessments, and governmental charges and levies have become due, except for such taxes, assessments, and governmental charges and levies which the Borrower is contesting in good faith by appropriate proceedings for which adequate reserves have been set aside.

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

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

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

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

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

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

K. Disclosure. To the Borrower's knowledge, information and belief, neither this Agreement nor any document, certificate or financial statement furnished to CFC by or on behalf

of the Borrower in connection herewith (all such documents, certificates and financial statements, taken as a whole) contains any untrue statement of a material fact or omits to state any material fact necessary in order to make the statements contained herein and therein not misleading.

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

M. Environmental Matters. Except as to matters which individually or in the aggregate would not have a material adverse effect upon the business, operations, prospects, assets, liabilities or financial condition of the Borrower or its Subsidiaries, (i) the Borrower is in compliance with all Environmental Laws, (ii) the Borrower has obtained all permits, licenses and other approvals required under any Environmental Law and all such permits, licenses and approvals are in full force and effect, (iii) there have been no releases from any underground or aboveground storage tanks (or piping associated therewith) that are or were present at the Mortgaged Property, (iv) the Borrower has not received written notice of, or claim or liability related to, any violation of any Environmental Law (v) there is no pending investigation of the Borrower in regard to any Environmental Law and (vi) to the best of the Borrower's knowledge, there has not been any release, or contamination resulting from the presence, of Hazardous Materials by, or otherwise related to the actions of the Borrower, or on property owned, leased or operated by the Borrower.

ARTICLE III

CREDIT TERMS

Section 3.01 Advances. CFC agrees to advance funds to the Borrower pursuant to the terms and conditions hereof, provided, however, that the principal amount at any time outstanding under this Agreement shall not exceed the CFC Commitment. The Borrower may borrow, repay and reborrow funds at any time or from time up to, but not including, the Maturity Date, at which time all principal amounts outstanding, and accrued, but unpaid interest thereon, shall be due and payable in full.

Section 3.02 Payment and Interest Rate. The Line of Credit shall be payable and bear interest as follows:

A. Interest Rate and Payment. The Borrower unconditionally promises and agrees to pay, as and when due, interest on all amounts advanced hereunder from the date of each Advance and to repay all amounts advanced hereunder with interest on the Maturity Date, if not sooner paid. Interest shall be due and payable on each Payment Date. CFC shall send a payment notice to the Borrower at least five days prior to the due date of any interest payment, provided, however, that CFC's failure to send a payment notice shall not constitute a waiver by CFC or be deemed to relieve the Borrower of its obligation to make payments as and when due as provided for herein. All amounts shall be payable at CFC's main office at 2201 Cooperative Way, Herndon, Virginia 20171-3025 or at such other location as designated by CFC from time to time. The interest rate on all Advances will be equal to the CFC Line of Credit Rate in effect from

time to time, which shall not exceed the Prevailing Bank Prime Rate (as defined herein), plus one percent per annum. Interest will be computed on the basis of a 365 day year for the actual number of days that any Advance is outstanding. The effective date of an interest rate adjustment will be determined from time to time by CFC, provided that no such adjustment may be effective on a date other than the first or sixteenth day of any month, and any such adjustment shall remain in effect until any subsequent change in the interest rate occurs.

The "Prevailing Bank Prime Rate" is that bank prime rate published in the "Money Rates" column of the eastern edition of *The Wall Street Journal* on the publication day immediately preceding the day on which an adjustment in the interest rate hereof shall become effective. If *The Wall Street Journal* shall cease publishing the Prevailing Bank Prime Rate, the Prevailing Bank Prime Rate shall be determined by CFC by reference to another publication reporting bank prime rates in a similar manner.

B. Application of Payments. Each payment shall be applied to the Obligations, first to any fees, costs, expenses or charges other than interest or principal then due on the Borrower's indebtedness to CFC, second to interest accrued and the balance to principal.

Section 3.03 Paydown Requirement. For each 12-month period while this Agreement is in effect, Borrower shall, for a period of at least five consecutive Business Days, pay down the entire outstanding principal balance on this line of credit ("Paydown"). Borrower shall make the initial Paydown within 360 days of the first Advance hereunder, and shall make each subsequent Paydown within 360 days of the date of the first Advance following each Paydown.

Section 3.04 Limitation on Advances. While an Advance is outstanding, CFC reserves the right to limit further Advances if the sum of (a) all Advances outstanding, (b) the amount of any further Advance requested, and (c) the total amount of Borrower's other unsecured outstanding debt, would exceed the CFC Commitment. CFC may in its sole discretion decline to make any Advance during any period when the Borrower is in default hereunder.

Section 3.05 Mandatory Prepayment. If there is a change in the Borrower's corporate structure (including without limitation by merger, consolidation, conversion or acquisition), then upon the effective date of such change, (a) the Borrower shall no longer have the ability to request, and CFC shall have no obligation to make, Advances hereunder and (b) the Borrower shall prepay the outstanding principal balance of all Obligations, together with any accrued but unpaid interest thereon, any unpaid costs or expenses provided for herein, and a prepayment premium prescribed by CFC pursuant to its policies of general application in effect from time to time, and upon prepayment thereof, this Agreement shall automatically terminate without further action by either Borrower or CFC.

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

Section 3.06 Termination and Cancellation of Existing Agreement. Borrower agrees that its existing line of credit No. UT011-R-5100 with CFC and any agreement(s) relating thereto shall be terminated and any outstanding principal, interest and other amounts outstanding

thereunder shall be transferred to the line of credit established pursuant to this Agreement and deemed an Advance hereunder.

Section 3.07 Default Rate. If Borrower defaults on its obligation to make a payment due hereunder by the applicable Payment Date, and such default continues for thirty days thereafter, then beginning on the thirty-first day after the Payment Date and for so long as such default continues, Advances shall bear interest at the Default Rate.

ARTICLE IV

CONDITIONS OF LENDING

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

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

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

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

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

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

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

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

G. Requisitions. Borrower will requisition each Advance by submitting its requisition to CFC in form and substance satisfactory to CFC no later than 12:00 noon local time at CFC's offices in Herndon, Virginia on the Business Day prior to the Business Day Borrower seeks to have funds advanced.

CFC may require the Borrower to submit such additional information as it may reasonably require prior to funding the Advance request.

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

ARTICLE V

COVENANTS

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

A. Use of Proceeds. The Borrower shall use the proceeds of this Line of Credit solely for the purposes identified on Schedule 1 hereto.

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

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

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

D. Financial Books; Financial Reports; Right of Inspection. The Borrower will at all times keep, and safely preserve, proper books, records and accounts in which full and true entries will be made of all of the dealings, business and affairs of the Borrower, in accordance

with GAAP. The Borrower will cause to be prepared and furnished to CFC within one hundred twenty (120) days of the end of each of the Borrower's fiscal years during the term hereof, a full and complete consolidated and consolidating report of its financial condition and of its operations as of the end of such fiscal year, audited and certified by independent certified public accountants nationally recognized or otherwise satisfactory to CFC and accompanied by a report of such audit in form and substance satisfactory to CFC, including without limitation a consolidated and consolidating balance sheet and the related consolidated and consolidating statements of income and cash flow. CFC, through its representatives, shall at all times during reasonable business hours and upon prior notice have access to, and the right to inspect and make copies of, any or all books, records and accounts, and any or all invoices, contracts, leases, payrolls, canceled checks, statements and other documents and papers of every kind belonging to or in the possession of the Borrower or in anyway pertaining to its property or business.

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

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

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

H. Environmental Covenants. The Borrower shall:

- (i) Comply in all respects with all applicable Environmental Laws, and the Borrower shall have sole responsibility for any and all costs and expenses associated with such compliance;
- (ii) Conduct and complete, at its sole cost and expense, any investigation, study, sampling, monitoring and testing and undertake any cleanup, removal, remedial, corrective, mitigation, response or other action necessary to comply with applicable Environmental Laws; and

Within ten (10) Business Days after receiving any written communication alleging any potential or actual violation of, or claim or liability related to, any Environmental Law, the Borrower shall provide CFC with a copy thereof. With respect to any matter as to which it has received such notice, the Borrower shall immediately take any and all appropriate actions to remedy, cure,

defend, or otherwise affirmatively respond to the matter in full compliance with all applicable Environmental Laws.

I. Special Covenants. The Borrower will comply with any special covenants identified in Schedule 1 hereto.

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

A. Organizational Change. Change Borrower's type of organization, jurisdiction of organization or legal structure.

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

ARTICLE VI

EVENTS OF DEFAULT

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

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

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

C. Other Covenants.

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

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

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

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

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

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

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

I. Dissolution or Liquidation. Other than as provided in subsection H. above, the dissolution or liquidation of the Borrower, or failure by the Borrower promptly to forestall or remove any execution, garnishment or attachment of such consequence as will impair its ability to continue its business or fulfill its obligations and such execution, garnishment or attachment shall not be vacated within sixty (60) days.

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

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

L. Nonmonetary Judgment. One or more nonmonetary judgments or orders (including, without limitation, injunctions, writs or warrants of attachment, garnishment,

execution, distraint, replevin or similar process) shall be rendered against the Borrower that, either individually or in the aggregate, could reasonably be expected to have a material adverse effect upon the business, operations, prospects, assets, liabilities or financial condition of the Borrower.

ARTICLE VII

REMEDIES

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

- (a) Cease making Advances hereunder;
- (b) Declare all unpaid principal outstanding on the Line of Credit, all accrued and unpaid interest thereon, and all other Obligations to be immediately due and payable and the same shall thereupon become immediately due and payable without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived;
- (c) Exercise rights of setoff or recoupment and apply any and all amounts held, or hereby held, by CFC or owed to the Borrower or for the credit or account of the Borrower against any and all of the Obligations of the Borrower now or hereafter existing hereunder or under the Line of Credit, including, but not limited to, patronage capital allocations and retirements, money due to Borrower from equity certificates purchased from CFC, and any membership or other fees that would otherwise be returned to Borrower. The rights of CFC under this section are in addition to any other rights and remedies (including other rights of setoff or recoupment) which CFC may have. The Borrower waives all rights of setoff, deduction, recoupment or counterclaim;
- (d) Pursue all rights and remedies available to CFC that are contemplated by the Mortgage and the other Loan Documents in the manner, upon the conditions, and with the effect provided in the Mortgage and the other Loan Documents, including, but not limited to, a suit for specific performance, injunctive relief or damages;
- (e) Pursue any other rights and remedies available to CFC at law or in equity.

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

ARTICLE VIII

MISCELLANEOUS

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

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

The Borrower:

The address set forth in
Schedule 1 hereto

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

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

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

Section 8.04. Non-Business Day Payments. If any payment to be made by the Borrower hereunder shall become due on a day which is not a Business Day, such payment

shall be made on the next succeeding Business Day and such extension of time shall be included in computing any interest in respect of such payment.

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

Section 8.06 CFC Accounts. Borrower agrees that the records of, and all computations by, CFC (in whatever media they are recorded or maintained) as to the amount of principal, interest and fees due on the Line of Credit shall be conclusive in the absence of manifest error.

Section 8.07 Waiver; Modification. No failure on the part of CFC to exercise, and no delay in exercising, any right or power hereunder or under the other Loan Documents shall operate as a waiver thereof, nor shall any single or partial exercise by CFC of any right hereunder, or any abandonment or discontinuance of steps to enforce such right or power, preclude any other or further exercise thereof or the exercise of any other right or power. No modification or waiver of any provision of this Agreement or the other Loan Documents and no consent to any departure by the Borrower therefrom shall in any event be effective unless the same shall be in writing by the party granting such modification, waiver or consent, and then such modification, waiver or consent shall be effective only in the specific instance and for the purpose for which given.

SECTION 8.08 GOVERNING LAW; SUBMISSION TO JURISDICTION; WAIVER OF JURY TRIAL.

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

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

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

SECTION 8.09 INDEMNIFICATION. THE BORROWER HEREBY INDEMNIFIES AND AGREES TO HOLD HARMLESS, AND DEFEND CFC AND ITS MEMBERS, DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, ATTORNEYS AND REPRESENTATIVES (EACH AN "INDEMNITEE") FOR, FROM, AND AGAINST ALL CLAIMS, DAMAGES, LOSSES, LIABILITIES, COSTS, AND EXPENSES (INCLUDING, WITHOUT LIMITATION, COSTS AND EXPENSES OF LITIGATION AND REASONABLE ATTORNEYS' FEES) ARISING FROM ANY CLAIM OR DEMAND IN RESPECT OF THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS, THE MORTGAGED PROPERTY, OR THE TRANSACTIONS DESCRIBED IN THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS AND ARISING AT ANY TIME, WHETHER BEFORE OR AFTER PAYMENT AND PERFORMANCE OF ALL OBLIGATIONS UNDER THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS IN FULL, EXCEPTING ANY SUCH MATTERS ARISING SOLELY FROM THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF CFC OR ANY INDEMNITEE. NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN SECTION 8.11 HEREOF, THE OBLIGATIONS IMPOSED UPON THE BORROWER BY THIS SECTION SHALL SURVIVE THE REPAYMENT OF THE LINE OF CREDIT, THE TERMINATION OF THIS AGREEMENT AND THE TERMINATION OR RELEASE OF THE LIEN OF THE MORTGAGE.

Section 8.10 Complete Agreement. This Agreement, together with the schedules to this Agreement and the other Loan Documents, and the other agreements and matters referred to herein or by their terms referring hereto, is intended by the parties as a final expression of their agreement and is intended as a complete statement of the terms and conditions of their agreement. In the event of any conflict in the terms and provisions of this Agreement and any other Loan Documents, the terms and provisions of this Agreement shall control.

Section 8.11 Survival; Successors and Assigns. All covenants, agreements, representations and warranties of the Borrower which are contained in this Agreement shall survive the execution and delivery to CFC of the Loan Documents and the making of the Advances hereunder and shall continue in full force and effect until all of the obligations under the Loan Documents have been paid in full. All covenants, agreements, representations and warranties of the Borrower which are contained in this Agreement shall inure to the benefit of the successors and assigns of CFC. The Borrower shall not have the right to assign its rights or obligations under this Agreement.

Section 8.12 Use of Terms. The use of the singular herein shall also refer to the plural, and vice versa.

Section 8.13 Headings. The headings and sub-headings contained in this Agreement are intended to be used for convenience only and do not constitute part of this Agreement.

Section 8.14 Severability. If any term, provision or condition, or any part thereof, of this Agreement or the other Loan Documents shall for any reason be found or held invalid or unenforceable by any governmental agency or court of competent jurisdiction, such invalidity or unenforceability shall not affect the remainder of such term, provision or condition nor any other term, provision or condition, and this Agreement and the other Loan Documents shall survive

and be construed as if such invalid or unenforceable term, provision or condition had not been contained therein.

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

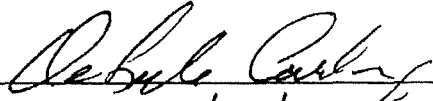
Section 8.16 Counterparts. This Agreement may be executed in one or more counterparts, each of which will be deemed an original and all of which together will constitute one and the same document. Signature pages may be detached from the counterparts and attached to a single copy of this Agreement to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


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

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

FLOWELL ELECTRIC ASSOCIATION, INC.

(SEAL)

By: 
Title: President

Attest: 
Secretary

NATIONAL RURAL UTILITIES COOPERATIVE
FINANCE CORPORATION

(SEAL)

By: 
Assistant Secretary-Treasurer

Attest: 
Assistant Secretary-Treasurer

BRUCE MACNEIL

DAVID W OLAH

Effective Date: 03/30/2009 (to be filled in by CFC)

Loan Number: UT011-P-5101

SCHEDULE 1

1. The purpose of this Line of Credit is to provide funds for the Borrower's general corporate use, consistent with the Borrower's articles of incorporation, bylaws and applicable federal, state and local laws and regulations.
2. The aggregate CFC Commitment shall mean \$1,000,000.00.
3. Maturity Date shall mean the date twelve (12) months from the Effective Date. This Agreement shall thereafter automatically renew for subsequent periods of twelve (12) months each. Either party may terminate this Agreement at the end of any period by providing written notice to the other party at least ninety (90) days prior to the expiration of such period.
4. The Mortgage shall mean the Restated Mortgage and Security Agreement dated as of even date herewith between the Borrower and CFC, as it may or shall be supplemented, amended, consolidated, or restated from time to time.
5. The date of the Borrower's balance sheet referred to in Section 2.01.G. is December 31, 2006 and 2007.
6. The Borrower's exact legal name is: Flowell Electric Association, Inc.
7. The Borrower's organizational type is: Corporation
8. The Borrower is organized under the laws of the state of: Utah
9. The Borrower's organizational identification number is: 561715-0140
10. The place of business or, if more than one, the chief executive office of the Borrower referred to in Section 2.01.I. is 495 North 3200 West, Fillmore, Utah 84631.
11. The Governmental Authority referred to in Section 2.01.H. is: Utah Public Service Commission.
12. The special conditions referred to in Section 4.01.F. are as follows: None
13. The special covenants referred to in Section 5.01.I. are as follows: None
14. The address for notices to the Borrower referred to in Section 8.01 is 495 North 3200 West, Fillmore, Utah 84631, Attention: President/CEO, Fax: (435) 743-5722.

Loan No. 00110896S01

REVOLVING CREDIT PROMISSORY NOTE

THIS REVOLVING CREDIT PROMISSORY NOTE (this "**Promissory Note**") to the Credit Agreement dated October 31, 2017 (the "**Credit Agreement**"), is entered into as of October 31, 2017 between **COBANK, ACB**, a federally-chartered instrumentality of the United States ("**Lender**") and **FLOWELL ELECTRIC ASSOCIATION, INC.**, Fillmore, Utah, a corporation (together with its permitted successors and assigns, the "**Borrower**"). Capitalized terms not otherwise defined in this Promissory Note will have the meanings set forth in the Credit Agreement.

SECTION 1. REVOLVING CREDIT COMMITMENT. On the terms and conditions set forth in the Credit Agreement and this Promissory Note, Lender agrees to make loans to the Borrower during the period set forth below in an aggregate principal amount not to exceed \$1,000,000.00, at any one time outstanding (the "**Commitment**"). Within the limits of the Commitment, the Borrower may borrow, repay and re-borrow.

SECTION 2. PURPOSE. The purpose of the Commitment is to finance general operating needs and interim capital expenditures.

SECTION 3. TERM. The term of the Commitment will be from the date hereof, up to and including October 31, 2018, or such later date as Lender may, in its sole discretion, authorize in writing (the "**Term Expiration Date**"). Notwithstanding the foregoing, the Commitment will be renewed for an additional year only if, on or before the Term Expiration Date, Lender provides to the Borrower a written notice of renewal for an additional year (a "**Renewal Notice**"). If on or before the Term Expiration Date, Lender grants a short-term extension of the Commitment, the Commitment will be renewed for an additional year only if Lender provides to the Borrower a Renewal Notice on or before such extended expiration date. All annual renewals will be measured from, and effective as of, the same day as the Term Expiration Date in any year.

SECTION 4. LIMITS ON ADVANCES, AVAILABILITY, ETC. The loans will be made available as provided in Article 2 of the Credit Agreement.

SECTION 5. INTEREST. The Borrower agrees to pay interest on the unpaid balance of the loan(s) in accordance with the following interest rate option(s):

(A) **Weekly Quoted Variable Rate.** At a rate per annum equal at all times to the rate of interest established by Lender on the first Business Day of each week. The rate established by Lender will be effective until the first Business Day of the next week. Each change in the rate will be applicable to all balances subject to this option and information about the then current rate will be made available upon telephonic request.

Interest will be calculated on the actual number of days each loan is outstanding on the basis of a year consisting of 360 days and will be payable monthly in arrears by the 20th day of the following month or on such other day as Lender will require in a written notice to the Borrower ("**Interest Payment Date**").

SECTION 6. PROMISSORY NOTE. The Borrower promises to repay the unpaid principal balance of the loans on the Term Expiration Date, as the term may be extended from time to time.

In addition to the above, the Borrower promises to pay interest on the unpaid principal balance of the loans at the times and in accordance with the provisions set forth herein.

SECTION 7. SECURITY. Except for Lender's lien on the Borrower's equity in Lender, the Borrower's obligations hereunder and, to the extent related hereto, under the Credit Agreement, will be unsecured.

SECTION 8. FEES. INTENTIONALLY OMITTED.

SECTION 9. LETTERS OF CREDIT. If agreeable to Lender in its sole discretion in each instance, in addition to loans, the Borrower may utilize the Commitment to open irrevocable letters of credit for its account. Each letter of credit will be issued within a reasonable period of time after Lender's receipt of a duly completed and executed copy of Lender's then current form of Application and Reimbursement Agreement or, if applicable, in accordance with the terms of any CoTrade Agreement between the parties, and will reduce the amount available under the Commitment by the maximum amount capable of being drawn under such letter of credit. The Borrower agrees to pay to Lender any fees, administrative expenses, and other customary charges that Lender may charge or incur from time to time in connection with the issuance, maintenance, amendment (if any), assignment or transfer (if any), negotiation, and administration of the letter of credit. Any draw under any letter of credit issued hereunder will be deemed a loan under the Commitment and will be repaid in accordance with this Promissory Note. Each letter of credit must be in form and content acceptable to Lender and must expire no later than the maturity date of the Commitment.

SIGNATURE PAGE FOLLOWS

FLOWELL ELECTRIC ASSOCIATION, INC.
Fillmore, Utah
Promissory Note No. 00110896S01

SIGNATURE PAGE TO PROMISSORY NOTE

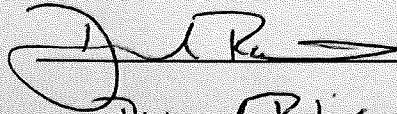
IN WITNESS WHEREOF, the parties have caused this Promissory Note to the Credit Agreement to be executed by their duly authorized officer(s).

FLOWELL ELECTRIC ASSOCIATION, INC.

By: _____

Name: _____

Title: _____



Duane Robinson

CEO

EXHIBIT E

FORM OF BILL OF SALE

Exhibit "E"
Form of Bill of Sale

BILL OF SALE AND ASSIGNMENT AGREEMENT

THIS BILL OF SALE AND ASSIGNMENT AGREEMENT (this "Agreement") is made as of _____, _____ by and among FLOWELL ELECTRIC ASSOCIATION, INC. ("Seller"), and DIXIE-ESCALANTE RURAL ELECTRIC ASSOCIATION., a Utah non-profit corporation ("Buyer").

Recital

A. Buyer and Seller have entered into a certain Agreement for Purchase and Sale of Electricity Distribution System dated as of October ___, 2020 ("Purchase Agreement"), whereby Seller has agreed to sell, and Buyer has agreed to purchase substantially all of the utility plant and equipment, associated property, facilities, equipment and other assets as set forth in the Purchase Agreement.

B. Capitalized Terms not otherwise defined herein shall have the meaning set forth in the Purchase Agreement.

AGREEMENT

1. Sale and Transfer of Assets. For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Seller hereby sells, conveys, transfers, assigns and delivers unto Buyer its legal and beneficial right, title and interest in and to all of the Purchased Assets, excluding (a) the Purchased Real Property (which is conveyed by separate instruments); (b) any other Purchased Assets, whether or not conveyed or assigned by separate instrument; and (c) the Excluded Assets, TO HAVE AND TO HOLD the same unto Buyer and its successors and assigns, and to defend the sale of such Purchased Assets against all acts of such Seller and none other.

2. Assignment of Rights. Seller hereby assigns to Buyer any and all rights claims, remedies and/or privileges arising or otherwise available to Seller under any indemnity agreement, purchase contract, or other agreement of or arising by law against any vendor, supplier, OEM manufacturer, insurer, or others relating to any of the Purchased Assets, including without limitation, any right to pursue any third Person for any remedy, contribution, claim, subrogation of any claim whether in existence or arising hereafter on account of the presence of any harmful or hazardous materials in, on, or otherwise escaped from any of the Purchased Assets. Seller makes no representation or warranty concerning the enforceability of the rights assigned under this Section or that such rights are assignable.

3. Assumption of Liabilities. Buyer hereby assumes, and covenants to satisfy, pay, discharge or perform (as applicable) in accordance with their terms, and otherwise be responsible for the Assumed Liabilities, excluding the Excluded Liabilities.

3. Purchase Agreement Governs. This Agreement is delivered pursuant to, and is subject to the express representations, warranties, covenants, and agreements set forth in, the Purchase Agreement. This Agreement is only intended to effectuate the sale, transfer and conveyance to Buyer of the Purchased Assets in accordance with the provisions of the Purchase Agreement, and nothing herein shall expand the rights, covenants, obligations, representations or warranties of any Seller or Buyer (express or implied) beyond what is provided for in the Purchase Agreement, and the terms of this Agreement shall be understood and construed accordingly. To the extent that any provision of this Agreement is inconsistent with the provisions of the Purchase Agreement, the provisions of the Purchase Agreement shall govern.

4. Condition of Purchased Assets. Except as expressly provided in the Purchase Agreement, which representations and warranties are expressly incorporated herein by this reference, all Purchased Assets transferred by this Agreement are transferred in their present condition and state of repair, “AS IS” and “WHERE IS”, with all defects and liabilities, latent or apparent.

5. Additional Assurances. Seller shall execute such further instruments of transfer, and take such further action as Buyer may reasonably request in order to cause all rights and incidents of ownership in the Purchased Assets to be transferred to and vested in Buyer.

6. Successors and Assigns. This Bill of Sale shall inure to the benefit of Buyer, its successors and assigns, and shall be binding upon Seller, and its successors and assigns.

7. Controlling Law. This Agreement and all questions relating to its validity, interpretation, performance, and enforcement shall be governed by and construed in accordance with the laws of the State of Utah, applicable to contracts made and to be performed wholly within the State of Utah by residents of the State of Utah.

[Remainder of Page Intentionally Blank]

DATED this _____ day of _____, 20__.

“SELLER”

FLOWELL ELECTRIC ASSOCIATION, INC.

By: _____
Name: _____
Title: _____

“BUYER”

DIXIE-ESCALANTE RURAL ELECTRIC
ASSOCIATION

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

EXHIBIT F

FORM OF SPECIAL WARRANTY DEED

Exhibit "F"
Form of Special Warranty Deed

When recorded, return to:

David Crabtree
10714 South Jordan Gateway, Suite 300
South Jordan, Utah 84095

Parcel ID No. _____

SPECIAL WARRANTY DEED

For the consideration of Ten Dollars (\$10.00) and other valuable considerations, FLOWELL ELECTRIC ASSOCIATION, INC., a Utah non-profit corporation, ("Grantor"), hereby conveys and warrants against all who claim by, through, or under the Grantor, subject to the matters set forth herein, to DIXIE-ESCALANTE RURAL ELECTRIC ASSOCIATION, a Utah non-profit corporation, with an address of 71 East Highway 56, Beryl, Utah 84714 ("Grantee"), the following real property situated in Washington County, Utah:

See Exhibit A attached hereto and incorporated herein by this reference (the "Property");

together with all rights and privileges appurtenant thereto and any and all Improvements on the Property, BUT excluding therefrom the Excluded Assets,

SUBJECT TO the Permitted Liens.

Except for any Improvements which are Excluded Assets, the "Improvements" conveyed hereunder include each and every building, structure, facility, pipe, cable, conduit, wire, sidewalk, roadway, driveway, sign, storm sewer, storm water runoff or drainage facility, well, pump, pole, sump, trees, shrubs, sod, and other plantings and landscaping, fence(s), gates, and any other improvements or fixtures whatsoever, located on, under or above the Property and which grantor owns or in which grantor has any interest to the full extent of grantor's interest therein.

For purposes hereof, the "Excluded Assets" and "Permitted Liens" shall have the meaning set forth pursuant to that certain Agreement for Purchase and Sale of Electricity Distribution System dated as of October ___, 2020.

DATED this _____ day of _____, 20____.

FLOWELL ELECTRIC ASSOCIATION, INC.,
a Utah non-profit corporation

By: _____
Name: _____
Title: _____
"Grantor"

STATE OF UTAH)
 : ss.
COUNTY OF _____)

The foregoing instrument was acknowledged before me this _____ day of June, 2009, by
_____, who is the _____ of FLOWELL
ELECTRIC ASSOCIATION, INC., a Utah non-profit corporation

NOTARY PUBLIC
Residing at: _____

My Commission Expires:

EXHIBIT A

Legal Description for Property

EXHIBIT G

FORM OF ASSIGNMENT OF
RIGHT-OF-WAY/TRANSMISSION LINE CONVEYANCE

Exhibit "G"
Form of Assignment
(Electricity ROW)

ASSIGNMENT AGREEMENT

THIS RIGHT OF WAY ASSIGNMENT AGREEMENT (this "ROW Assignment") is made as of _____, _____ by and among FLOWELL ELECTRIC ASSOCIATION, INC. ("Seller"), and DIXIE-ESCALANTE RURAL ELECTRIC ASSOCIATION., a Utah non-profit corporation ("Buyer").

Recital

A. Buyer and Seller have entered into a certain Agreement for Purchase and Sale of Electricity Distribution System dated as of October __, 2020 ("Purchase Agreement"), whereby Seller has agreed to sell, and Buyer has agreed to purchase substantially all of the utility plant and equipment, associated property, facilities, equipment and other assets as set forth in the Purchase Agreement.

B. Capitalized Terms not otherwise defined herein shall have the meaning set forth in the Purchase Agreement.

AGREEMENT

1. Assignment and Transfer of Rights-of-Way and Transmission Line. For good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Seller hereby sells, conveys, transfers, assigns and delivers unto Buyer its legal and beneficial right, title and interest in and to the Rights of Way, the Transmission Line, and the Distribution ROW's (collectively the "Assigned ROW's"), TO HAVE AND TO HOLD the same unto Buyer and its successors and assigns, and to defend the sale of such Assigned ROW's against all acts of such Seller and none other.

2. Purchase Agreement Governs. This Agreement is delivered pursuant to, and is subject to the express representations, warranties, covenants, and agreements set forth in, the Purchase Agreement. This Agreement is only intended to effectuate the sale, transfer and conveyance to Buyer of the Purchased Assets in accordance with the provisions of the Purchase Agreement, and nothing herein shall expand the rights, covenants, obligations, representations or warranties of any Seller or Buyer (express or implied) beyond what is provided for in the Purchase Agreement, and the terms of this Agreement shall be understood and construed accordingly. To the extent that any provision of this Agreement is inconsistent with the provisions of the Purchase Agreement, the provisions of the Purchase Agreement shall govern.

3. Condition of Assigned ROW's. Except as expressly provided in the Purchase Agreement, which representations and warranties are expressly incorporated herein by this

reference, all Assigned ROW's transferred by this Agreement are transferred in their present condition and state of repair, "AS IS" and "WHERE IS", with all defects and liabilities, latent or apparent.

4. Additional Assurances. Seller shall execute such further instruments of transfer, and take such further action as Buyer may reasonably request in order to cause all rights and incidents of ownership in the Assigned ROW's to be transferred to and vested in Buyer.

6. Successors and Assigns. This Assignemnt of Rights-of-Way shall inure to the benefit of Buyer, its successors and assigns, and shall be binding upon Seller, and its successors and assigns.

7. Controlling Law. This Agreement and all questions relating to its validity, interpretation, performance, and enforcement shall be governed by and construed in accordance with the laws of the State of Utah, applicable to contracts made and to be performed wholly within the State of Utah by residents of the State of Utah.

[Remainder of Page Intentionally Blank]

DATED this _____ day of _____, 20__.

“SELLER”

FLOWELL ELECTRIC ASSOCIATION, INC.

By: _____
Name: _____
Title: _____

“BUYER”

GARKANE ENERGY COOPERATIVE, INC.

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

Exhibit "H" and "I"
Form of Assignment of Rights – Contracts
Form of Assumption Document

THIS ASSIGNMENT OF RIGHTS -- CONTRACTS AND ASSUMPTION DOCUMENT (this "Contract Assignment" or "Assignment") is made as of _____, _____ by and among FLOWELL ELECTRIC ASSOCIATION, INC. ("Seller"), and DIXIE-ESCALANTE RURAL ELECTRIC ASSOCIATION., a Utah non-profit corporation ("Buyer").

Recital

A. Buyer and Seller have entered into a certain Agreement for Purchase and Sale of Electricity Distribution System dated as of October __, 2020 ("Purchase Agreement"), whereby Seller has agreed to sell, and Buyer has agreed to purchase substantially all of the utility plant and equipment, associated property, facilities, equipment and other assets as set forth in the Purchase Agreement.

B. Capitalized Terms not otherwise defined herein shall have the meaning set forth in the Purchase Agreement.

AGREEMENT

1. Assignment of Contract and other Rights. Seller hereby assigns to Buyer any and all rights claims, remedies and/or privileges arising or otherwise available to Seller under any contract, agreement, understanding, expectation, equitable estoppel, promise, license, permit, franchise, privilege, or other choses in action (the "Assigned Contracts") between Buyer and any other person(s), including without limitation, any right to pursue any third Person for any right, remedy, benefit, or other advantage, pursuant to the terms of or arising out of any of the Assigned Contracts. Seller makes no representation or warranty concerning the enforceability of the rights assigned under this Section or that such rights are assignable.

3. Assumption of Liabilities. Buyer hereby assumes, and covenants to satisfy, pay, discharge or perform (as applicable) in accordance with their terms, and otherwise be responsible for the Assumed Liabilities, excluding the Excluded Liabilities, including any such Assumed Liabilities that are obligations of Seller under the terms of any of the Assigned Contracts or otherwise arising under any of the Assigned Contracts.

5. Purchase Agreement Governs. This Agreement is delivered pursuant to, and is subject to the express representations, warranties, covenants, and agreements set forth in, the Purchase Agreement. This Agreement is only intended to effectuate the sale, transfer and conveyance to Buyer of the Purchased Assets in accordance with the provisions of the Purchase Agreement, and nothing herein shall expand the rights, covenants, obligations, representations or warranties of any Seller or Buyer (express or implied) beyond what is provided for in the Purchase Agreement,

and the terms of this Agreement shall be understood and construed accordingly. To the extent that any provision of this Agreement is inconsistent with the provisions of the Purchase Agreement, the provisions of the Purchase Agreement shall govern.

6. Condition of Assigned Contracts. Except as expressly provided in the Purchase Agreement, which representations and warranties are expressly incorporated herein by this reference, all rights and/or interest in or under any of the Assigned Contracts are transferred in their present condition and condition, “AS IS” and “WHERE IS”, with all defects and liabilities, latent or apparent.

7. Additional Assurances. Seller shall execute such further instruments of transfer, and take such further action as Buyer may reasonably request in order to cause all rights privileges and benefits in or arising pursuant to any of the Assigned Contracts to be transferred to and vested in Buyer.

6. Successors and Assigns. This Assignment shall inure to the benefit of Buyer, its successors and assigns, and shall be binding upon Seller, and its successors and assigns.

7. Controlling Law. This Agreement and all questions relating to its validity, interpretation, performance, and enforcement shall be governed by and construed in accordance with the laws of the State of Utah, applicable to contracts made and to be performed wholly within the State of Utah by residents of the State of Utah.

[Remainder of Page Intentionally Blank]

DATED this _____ day of _____, 20__.

“SELLER”

FLOWELL ELECTRIC ASSOCIATION, INC.

By: _____
Name: _____
Title: _____

“BUYER”

DIXIE-ESCALANTE RURAL ELECTRIC
ASSOCIATION

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

EXHIBIT J

RELATED AGREEMENTS

1. Buyer shall have unfettered right and discretion, as between Buyer and Seller, and Seller shall cooperate and not attempt to interfere or withhold any consent to Buyer's assuming, renegotiating, modifying, or otherwise managing the existing agreements and/or arrangements for operation and maintenance services related to municipal electric utility facilities between Seller and each of the following Utah cities and towns:
 - a. Fillmore City;
 - b. Oak City;
 - c. Holden;
 - d. Meadow;
 - e. Kanosh.