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ATTORNEY AT LAW
109 South First Street
Nicholasville, Kentucky 40356
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September 7, 2011

RECEIVED

SEP 08 2011

PUBLIC SERVICE
COMMISSION

Mr. Jeff Derouen
Executive Director
Public Service Commission
211 Sower Boulevard
Frankfort, KY 40602

RE: Blue Grass Energy
Cooperative Corporation
Case No. 2011-_____

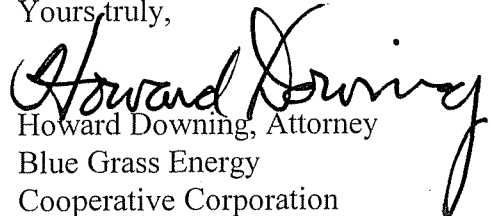
Dear Mr. Derouen:

This is to request early action on the application of Blue Grass Energy in Case No. 2011-_____ for a certificate authorizing the execution of a "Supplemental Mortgage" and "UCC Financing Statement" to National Rural Utilities Cooperative Finance Corporation (a non federal government agency).

This application is similar to the application in PSC Case No. 2004-00317 and 2008-00019.

Your early action before September 22, 2011 is urgently requested for submission to the Board of Directors on September 22, 2011. Thanks for your assistance.

Yours truly,


Howard Downing, Attorney
Blue Grass Energy
Cooperative Corporation

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BLUE GRASS ENERGY)	
COOPERATIVE CORPORATION FOR AN ORDER)	
AND CERTIFICATION OF PUBLIC CONVENIENCE)	
AND NECESSITY AUTHORIZING APPLICANT)	
(1) TO EXECUTE SUPPLEMENTAL MORTGAGE)	
DATED OCTOBER 1, 2007 AND UCC FINANCING)	
STATEMENT WITH NATIONAL RURAL UTILITIES)	CASE NO.
COOPERATIVE FINANCE CORPORATION AND)	2008-00019
UNITED STATES OF AMERICA (RURAL UTILITIES)	
SERVICE) PURSUANT TO KRS 278.300 AND)	
(2) TO EXCLUDE FROM PSC JURISDICTION)	
THE RUS LOAN CONTRACT AND MORTGAGE)	
NOTE WITH UNITED STATES OF AMERICA)	
(RURAL UTILITIES SERVICE) PURSUANT TO)	
KRS 278.300(10))	

O R D E R

On January 16, 2008, Blue Grass Energy Cooperative Corporation ("Blue Grass") filed an application for approval of a "Supplemental Mortgage" and "UCC Financing Statement" dated October 1, 2007 in favor of the Rural Utilities Service ("RUS") and the National Rural Utilities Cooperative Finance Corporation ("CFC"). Blue Grass also requested that the Commission find, pursuant to KRS 278.300(10), that a proposed loan from RUS to Blue Grass in the amount of \$42,824,000 is exempt from Commission approval. The proceeds from the proposed RUS loan will be used to

finance Blue Grass's 2006-2009 Work Plan, which was approved by the Commission in Case No. 2006-00540.¹

Blue Grass stated that it was not requesting approval of the mortgage note and loan contract with RUS because RUS is an agency of the federal government with supervisory authority over evidences of indebtedness. Pursuant to KRS 278.300(10), any evidences of indebtedness that are subject to the supervisory authority of a federal agency are exempt from Commission approval. Blue Grass further stated that it was requesting approval of the Supplemental Mortgage and UCC Financing Statement because CFC is a party to those documents. CFC is neither controlled by, nor an agency of, the federal government and, consequently, the exemption set forth in KRS 278.300(10) is not applicable to CFC.

Based on the evidence of record and being otherwise sufficiently advised, the Commission finds that:

1. RUS is an agency of the federal government with supervisory authority over evidences of indebtedness and, under KRS 278.300(10), the mortgage note and loan contract with RUS are exempt from Commission approval.
2. The Supplement Mortgage and UCC Financing Statement reflect existing debt Blue Grass owes CFC that was previously approved by the Commission and does not involve the issuance of new CFC debt to Blue Grass.

¹ Case No. 2006-00540, Application of Blue Grass Energy Cooperative Corporation for a Certificate of Public Convenience and Necessity to Construct Facilities According to the Applicants 10/01/2006 ~ 09/30/2009 Construction Work Plan, final Order dated April 20, 2007.

3. The Supplement Mortgage and UCC Financing Statement in favor of RUS and CFC are for lawful objects within the corporate purposes of Blue Grass, are necessary and appropriate for and consistent with the proper performance by the utility of its service to the public, will not impair its ability to perform that service, are reasonable, necessary, and appropriate for such purposes, and should be approved.

IT IS THEREFORE ORDERED that Blue Grass is authorized to execute the Supplement Mortgage and UCC Financing Statement in favor of RUS and CFC in accordance with the terms and conditions described in Blue Grass's application.

Nothing contained herein shall be deemed a warranty or finding of value of securities or financing authorized herein on the part of the Commonwealth of Kentucky or any agency thereof.

Done at Frankfort, Kentucky, this 22nd day of January, 2008.

By the Commission

ATTEST:



Executive Director

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

SEP 08 2011

PUBLIC SERVICE
COMMISSION

IN THE MATTER OF THE APPLICATION)
OF BLUE GRASS ENERGY COOPERATIVE)
CORPORATION FOR AN ORDER AND)
CERTIFICATION OF PUBLIC CONVENIENCE)
AND NECESSITY AUTHORIZING APPLICANT)
(1) TO EXECUTE "SUPPLEMENTAL MORTGAGE")
DATED AUGUST 1, 2011 AND "UCC FINANCING)
STATEMENT" WITH NATIONAL RURAL)
UTILITIES COOPERATIVE FINANCE)
CORPORATION AND UNITED STATES OF)
AMERICA (RURAL UTILITIES SERVICE))
PURSUANT TO KRS 278.300 AND (2) TO)
EXCLUDE FROM PSC JURISDICTION THE "RUS)
LOAN CONTRACT" AND "REIMBURSEMENT NOTE")
WITH UNITED STATES OF AMERICA (RURAL)
UTILITIES SERVICE) AND "FUTURE ADVANCE)
PROMISSORY NOTE" TO FEDERAL FINANCING)
BANK PURSUANT TO KRS 278.300 (10).)

NO. _____

APPLICATION

Petitioners, BLUE GRASS ENERGY COOPERATIVE CORPORATION of Nicholasville,
Jessamine County, Kentucky states as follows:

[Note: Blue Grass Energy Cooperative Corporation is abbreviated as "BGECC" herein; Rural
Utilities Service is abbreviated as "RUS" herein; United States of America is abbreviated as "USA"
herein; National Rural Utilities Cooperative Finance Corporation is abbreviated as "CFC" herein
and Federal Financing Bank is abbreviated as "FFB"].

1. Applicant is engaged in electric distribution business in the counties of Anderson,

Bourbon, Bracken, Estill, Fayette, Franklin, Garrard, Grant, Harrison, Henry, Jackson, Jessamine, Madison, Mercer, Nelson, Nicholas, Pendleton, Robertson, Scott, Shelby, Spencer, Woodford and Washington counties of Kentucky by and under applicable federal and state laws with cost of its property (consisting of operations, building, and electrical lines, poles, vehicles and equipment) being \$205,473,105.09.

2. That the post office address of applicant is P.O. Box 990, 1201 Lexington, Road, Nicholasville, Kentucky 40356-0990.

3. Applicant is a consolidated cooperative corporation approved in Case No. 2001-246 before the Kentucky Public Service Commission as the consolidation of Blue Grass Energy Cooperative Corporation and Harrison County Rural Electric Cooperative Corporation.

4. The “Articles of Consolidation” of BGECC was filed in Case No. 2001-246 of the Kentucky Public Service Commission.

5. KRS 278.300 (1) provides in part as follows:

No utility shall issue any ... evidences of indebtedness, or assume any obligation of indebtedness of any other person until it has been authorized so to do by order of the commission. (Emphasis added).

6. Applicant is required to execute a “SUPPLEMENTAL MORTGAGE” dated as of August 1, 2011 and “UCC FINANCING STATEMENT” (See Exhibit A) in favor of RUS and CFC as Security for a “FUTURE ADVANCE PROMISSORY NOTE” (See Exhibit B) to FFB dated August 1, 2011 in the principal sum of \$37,992,000.00, a “RUS LOAN CONTRACT” (See Exhibit C) dated August 1, 2011 and a “REIMBURSEMENT NOTE” to the United States of America

(acting through the Administrator of RUS) dated August 1, 2011 (See Exhibit D).

7. Applicant requests authorization by order of this commission to execute the “Supplemental Mortgage” dated August 1, 2011 and “UCC Financing Statement” in favor of RUS and CFC, because the said mortgage and UCC Financing Statement included CFC as a party to the mortgage and financing statement. This “Supplement Mortgage” and “UCC Financing Statement” are not subject to the exclusion of KRS 278.300 (10) as an evidence of indebtedness “subject to the supervision or control of the federal government or any agency thereof” because CFC is not controlled by the federal government or any agency thereof.

8. Applicant requests the “Future Advance Promissory Note” to FFB dated August 1, 2011, the “RUS LOAN CONTRACT” dated August 1, 2011 and the “Reimbursement Note” dated August 1, 2011 be excluded from any jurisdiction or approval by this Kentucky Public Service Commission pursuant to KRS 278.300 (10) because RUS and FFB are agencies of the United States of America (federal government) and subject to exclusion by KRS 278.300 (10).

9. The purpose of the RUS loan of \$37,992,000.00 is for the construction of new distribution lines, improvements to existing system, line changes, meters, poles, and expenses of upgrading the facilities of the applicant, including the items described in the 2010-2013 Construction Work Plan approved by Kentucky Public Service Commission in Case No. 2011-0007, which is incorporated by reference herein.

10. A description of applicant’s real property was filed and is of record in PSC Case Numbers 2002-00351 and 2004-00371 which are incorporated by reference herein. Three (3)

tracts of land are excluded from the previous referenced real estate descriptions by conveyances recorded in Deed Book 297, page 540, Deed Book 297, page 264 and Deed Book 298, page 141 all recorded in the office of the Harrison County Clerk.

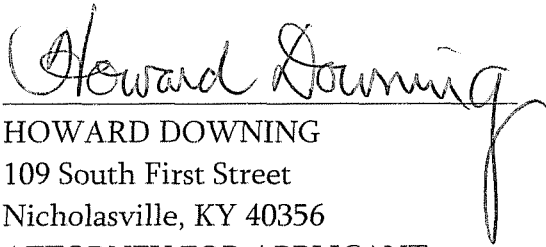
11. The financial Exhibit is attached as Exhibit E.

12. The interest paid in the twelve (12) month period ending July 31, 2011 was \$4,513,975.00.

13. The outstanding balance of BGECC's debt to RUS (and Federal Financing Bank guaranteed by RUS) is \$104,061,879.44 as of July 31, 2011.

14. The outstanding balance of BGECC's debt to CFC is \$16,321,052.28 as of July 31, 2011.

WHEREFORE, BGECC respectfully petitions and applies to this commission for an order and certification of public convenience and necessity authorizing BGECC to execute the "SUPPLEMENTAL MORTGAGE" and "UCC FINANCING STATEMENT" in favor of CFC and RUS as shown in Exhibit A and that the "FUTURE ADVANCE PROMISSORY NOTE" as shown by Exhibit B in favor of FFB for a loan of \$37,992,000.00, the "RUS LOAN CONTRACT" and "REIMBURSEMENT NOTE" to USA be excluded pursuant to KRS 27~~8~~.300 (10) because FFB and RUS are agencies of the federal government (United States of America), and for all further relief to which BGECC may appear entitled.



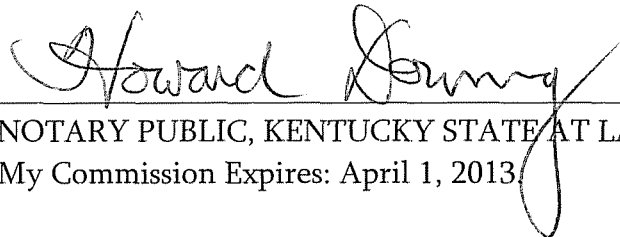
HOWARD DOWNING
109 South First Street
Nicholasville, KY 40356
ATTORNEY FOR APPLICANT,
BLUEGRASS ENERGY COOPERATIVE
CORPORATION



DONALD SMOTHERS, VICE PRESIDENT
BLUE GRASS ENERGY COOPERATIVE
CORPORATION
1201 Lexington Road
P.O. Box 990
Nicholasville, KY 40356-0990

STATE OF KENTUCKY)
COUNTY OF JESSAMINE)

Subscribed, sworn to and acknowledged before me by Donald Smothers, Vice President
of Blue Grass Energy Cooperative Corporation on behalf of said corporation this 7th day of
September, 2011.



NOTARY PUBLIC, KENTUCKY STATE AT LARGE
My Commission Expires: April 1, 2013

RUS PROJECT DESIGNATION:

KENTUCKY 0064-F8

SUPPLEMENTAL MORTGAGE

made by and among

BLUE GRASS ENERGY COOPERATIVE CORPORATION
1201 Lexington Road
Nicholasville, Kentucky 40356,

Mortgagor, and

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

Mortgagee, and

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

Mortgagee

Dated as of August 1, 2011

EXHIBIT A

THIS INSTRUMENT GRANTS A SECURITY INTEREST IN A TRANSMITTING UTILITY.
THE DEBTOR AS MORTGAGOR IS A TRANSMITTING UTILITY.
THIS INSTRUMENT CONTAINS PROVISIONS THAT COVER REAL AND PERSONAL PROPERTY, FIXTURES, AFTER-ACQUIRED
PROPERTY, PROCEEDS, FUTURE ADVANCES AND FUTURE OBLIGATIONS.
NOTICE THIS MORTGAGE SECURES CREDIT IN THE AMOUNT OF UP TO \$200,000,000.00. INDEBTEDNESS SECURED
HEREUNDER, INCLUDING FUTURE INDEBTEDNESS, TOGETHER WITH INTEREST, ARE SENIOR TO INDEBTEDNESS TO OTHER
CREDITORS UNDER MORTGAGES AND LIENS FILED OR RECORDED SUBSEQUENT HERETO.
THIS INSTRUMENT WAS PREPARED BY ANDY JAMERSON, AS ATTORNEY FOR UNITED STATES DEPARTMENT OF
AGRICULTURE, RURAL UTILITIES SERVICE, WASHINGTON, D.C. 20250-1500.

MORTGAGOR'S ORGANIZATIONAL IDENTIFICATION NUMBER IS 0526514.

SUPPLEMENTAL MORTGAGE, dated as of August 1, 2011 (hereinafter sometimes called this "Supplemental Mortgage"), is made by and among BLUE GRASS ENERGY COOPERATIVE CORPORATION (hereinafter called the "Mortgagor"), a corporation existing under the laws of the Commonwealth of Kentucky, and the UNITED STATES OF AMERICA acting by and through the Administrator of the Rural Utilities Service (hereinafter called the "Government") and NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION (hereinafter called "CFC"), a corporation existing under the laws of the District of Columbia, and is intended to confer rights and benefits on both the Government and CFC, in accordance with this Supplemental Mortgage and the Original Mortgage (hereinafter defined) (the Government and CFC being hereinafter sometimes collectively referred to as the "Mortgagees").

RECITALS

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

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

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

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

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

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

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

Now, Therefore, This Supplemental Mortgage Witnesseth: That to secure the payment of the principal of (and premium, if any) and interest on all Notes and all Notes issued hereunder according to their tenor and effect, and the performance of all provisions therein and herein contained, and in consideration of the covenants herein contained and the purchase or guarantee of Notes by the guarantors or holders thereof, the Mortgagor has mortgaged, pledged and granted a continuing security interest in, and by these presents does hereby grant, bargain, sell, alienate, remise, release, convey, assign, transfer, hypothecate, pledge, set over and confirm, pledge, and grant a continuing security interest in for the purposes hereinafter expressed, unto the Mortgagees all property, rights, privileges and franchises of the Mortgagor of every kind and description, real, personal or mixed, tangible and intangible, of the kind or nature specifically mentioned herein or any other kind or nature, except any Excepted Property, set forth in the Existing Mortgage, owned or hereafter acquired by the Mortgagor (by purchase, consolidation, merger, donation, construction, erection or in any other way) wherever located, including (without limitation) all and singular the following:

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

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

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

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

BLUE GRASS ENERGY COOPERATIVE CORPORATION

by _____, Chairman

(Seal)

Attest:

Secretary

Executed by the Mortgagor in the presence of:

Witnesses

UNITED STATES OF AMERICA

by

Administrator
of the
Rural Utilities Service

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

Witnesses

COMMONWEALTH OF KENTUCKY)

) SS

COUNTY OF)

I, _____, a Notary Public in and for the County and Commonwealth aforesaid, do hereby certify that _____, personally known to me to be the Chairman of Blue Grass Energy Cooperative Corporation, a corporation of the Commonwealth of Kentucky, and to me known to be the identical person whose name is as Chairman of said corporation, subscribed to the foregoing instrument, appeared before me this day in person and produced the foregoing instrument to me in the County aforesaid and acknowledged that as such Chairman he signed the foregoing instrument pursuant to authority given by the board of directors of said corporation as his free and voluntary act and deed and as the free and voluntary act and deed of said corporation for the uses and purposes therein set forth and that the seal affixed to the foregoing instrument is the corporate seal of said corporation.

Given under my hand this _____ day of _____, 20 .

Notary Public in and for
County, Kentucky

(Notarial Seal)

My Commission expires: _____

DISTRICT OF COLUMBIA

) SS

On this _____ day of _____, 20____, personally appeared before me _____, who, being duly sworn, did say that he is the Administrator of the Rural Utilities Service, an agency of the United States of America, and acknowledged to me that, acting under a delegation of authority duly given and evidenced by law and presently in effect, he executed said instrument as the act and deed of the United States of America for the uses and purposes therein mentioned.

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

Notary Public

(Notarial Seal)

My commission expires: _____.

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION

by

Assistant Secretary-Treasurer

(SEAL)

Attest:

Assistant Secretary-Treasurer

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

Witnesses

COMMONWEALTH OF VIRGINIA)

) SS

COUNTY OF FAIRFAX)

I, _____, a Notary Public in and for the Commonwealth of Virginia, County of Fairfax, do certify that _____, whose name is signed to the writing above, bearing date on the _____ day of _____, 20_____, has acknowledged the same before me in my county aforesaid.

Given under my hand this _____ day of _____, 20 _____.

Notary Public

(Notarial Seal)

My commission expires: _____.

Supplemental Mortgage SCHEDULE A: Part One

Maximum Debt Limit and Other Information

1. The Maximum Debt Limit is \$200,000,000.00.
2. The Original Mortgage as referred to in the first WHEREAS clause above is more particularly described as follows:

<u>Intrument Title</u>	<u>Instrument Date</u>
Restated Mortgage and Security Agreement	September 1, 2004
Supplemental Mortgage	October 1, 2007

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

<u>Loan Designation</u>	<u>Face Amount</u>	<u>Date</u>	<u>Final Maturity</u>	<u>% Rate¹</u>
AD60	\$1,481,000.00	05 Jan 1995	05 Jan 2030	V
AH60	\$2,933,000.00	02 Aug 1995	02 Aug 2030	V
A40	\$9,802,000.00	01 Jun 1998	01 Jun 2033	V
AS8 ²	\$9,209,000.00	01 Feb 1999	31 Dec 2033	V
B8 ³	\$25,888,000.00	01 Jun 2000	31 Dec 2034	V
C40	\$29,281,000.00	01 Sep 2004	01 Sep 2039	V
D8 ⁴	\$3,087,000.00	01 Apr 2005	31 Dec 2039	V
E44	\$42,824,000.00	01 Oct 2007	01 Oct 2038	V

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

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

³See footnote 2 in this Schedule A.

⁴See footnote 2 in this Schedule A.

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

<u>Loan</u> <u>Designation</u>	<u>Face Amount</u>	<u>Date</u>	<u>Final</u> <u>Maturity</u>	<u>% Rate</u> ⁵
F8 ⁶	\$37,992,000.00	01 Aug 2011	31 Dec 2045	V

⁵See footnote 1 in this Schedule A.

⁶See footnote 2 in this Schedule A.

SCHEDULE A: Part Two

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

ORIGINAL NOTES issued to CFC

<u>CFC Loan Designation</u>	<u>Face Amount of Note</u>	<u>Note Date</u>	<u>Maturity Date</u>
KY064-C-9005	\$322,000.00	09/27/1976 as substituted 06/01/1998	09/27/2011
KY064-C-9006	\$757,000.00	06/22/1978 as substituted 06/01/1998	06/22/2013
KY064-C-9007	\$819,000.00	09/02/1980 as substituted 06/01/1998	09/02/2015
KY064-C-9008	\$492,000.00	12/06/1982 as substituted 06/01/1998	12/06/2017
KY064-C-9009	\$947,000.00	11/26/1984 as substituted 06/01/1998	11/26/2019
KY064-C-9010	\$1,740,000.00	04/06/1989 as substituted 06/01/1998	04/06/2024
KY064-C-9011	\$1,257,000.00	08/02/1995 as substituted 06/01/1998	08/02/2030
KY064-C-9016	\$534,000.00	06/06/1978 as substituted 06/01/1998	06/06/2013
KY064-C-9017	\$499,000.00	04/24/1980 as substituted 06/01/1998	04/24/2015
KY064-C-9018	\$303,093.00	12/04/1984 as substituted 06/01/1998	12/04/2019
KY064-C-9019	\$275,258.00	01/06/1987 as substituted 06/01/1998	01/06/2022
KY064-C-9020	\$618,557.00	05/07/1991 as substituted 06/01/1998	05/07/2026
KY064-C-9021	\$635,000.00	01/05/1995 as substituted 06/01/1998	01/05/2030
KY064-C-9029	\$405,000.00	08/05/1977	08/05/2012
KY064-C-9030	\$456,000.00	08/18/1979	08/18/2014

KY064-C-9031	\$456,000.00	04/18/1981	04/18/2016
KY064-C-9032	\$266,000.00	07/25/1983	07/25/2018
KY064-C-9033	\$371,134.00	08/16/1985	08/16/2020
KY064-C-9034	\$351,546.00	02/19/1988	02/19/2023
KY064-C-9035	\$608,247.00	10/20/1989	10/20/2024
KY064-C-9036	\$938,144.00	12/16/1993	12/16/2028
KY064-A-9037	\$28,968,446.00	08/07/2003	08/07/2023

SCHEDULE B

Property Schedule

The fee and leasehold interests in real property referred to in Subclause A of Granting Clause First are described on the attached pages designated 1 through 2 of this Schedule B.

The recording jurisdictions referred to in Subclause B of Granting Clause are: the Counties of Anderson, Bourbon, Bracken, Estill, Fayette, Franklin, Garrard, Grant, Harrison, Henry, Jackson, Jessamine, Madison, Mercer, Nelson, Nicholas, Pendleton, Robertson, Scott, Shelby, Spencer, Woodford and Washington in the Commonwealth of Kentucky.

The contracts referred to in Subclause C of Granting Clause First include without limitation the Wholesale Power Contract, dated as of October 1, 1964, between the Mortgage and East Kentucky Power Cooperative, Inc., as amended.

**SCHEDULE B
PROPERTY SCHEDULE**

PARCEL A:

A certain tract of land, located in Madison County, Kentucky, on U. S. #25, and being Lot #1 on a certain plat of the "John Kaylor property". Prepared by B.H. Luxon, III. Civil Engineer, dated October, 1977, and of record in Plat Book 5, Page 373 in which the Madison County Clerk's office, Richmond, Kentucky to which reference is hereby made for a more particular description to the premises.

PARCEL B:

A certain tract or parcel of land located on the south side of Hurley Shortline Street, in Madison County, Kentucky, which tract is more particularly described as follows:

BEGINNING at a point in the south line of Hurley-Shortline Street, a corner to Danny Rorrer; thence S 01 10' E, a distance of 133.5 feet, a corner with Harold P. Prewitt; thence a new line with Prewitt, N 87 14' W, a distance of 248.5 feet to the property line of Fritz; thence with Fritz, N 05 7' W a distance of 134 feet to Hurley Street; thence with Hurley Street, S 87 14' E. A distance of 240.3 feet to the point of BEGINNING, and being Tract "A", as shown on Minor Plat entitled "HAROLD P. PREWITT PROPERTY, HURLEY-SHORTLINE ST., MADISON COUNTY, KENTUCKY, prepared by B.H. Luxon III, Civil Engineers, dated May 1983, and recorded in the Madison County Clerk's Office at Richmond, Kentucky, in Plat Book 7, at page 22;

RESERVING, HOWEVER, to the parties of the first part, their heirs and assigns, a fifty foot right-of-way easement for the purpose of ingress and egress from Hurley-Shortline Street to other property of the first parties, as shown on Minor Plat recorded in the Madison County Clerk's Office at Richmond, Kentucky, in Plat Book Y, at Page 22, reference to which is hereby made.

Parcel A and B being the same property conveyed to Blue Grass Rural Electric Cooperative Corporation by deed of Russell E. Major and Lucy R. Major dated March 28, 1997 and recorded in Deed Book 475, page 389 in Office of Madison County Clerk.

PARCEL C:

All that certain real estate located in Madison County, Kentucky and more particularly described as follows:

BEING Tract #2 of a certain plat of the John A. Kaylor property prepared by B.H. Luxon III, Civil Engineer, in October 1977 and of record in Plat Book 5, page 373 in the Madison county Court Clerk's office, reference to which is hereby made for a more particular description of the premises. There is EXCLUDED a certain tract of land previously conveyed by HAROLD P. PREWITT and wife to DANNY ORDER, by deed dated June 29, 1983 and recorded in Deed Book 354, page 205 in the Madison County Court Clerk's office, conveying Tract "A" of Plat Book 7, page 22.

BEING the same property conveyed to BLUE GRASS RURAL ELECTRIC COOPERATIVE CORPORATION by deed of MADISON TRACTOR, INC. dated February 10, 1988 and recorded in Deed Book 390, page 57 in the Office of the Madison County Clerk.

PARCEL D:

All that tract of land located in Jessamine County, Kentucky and being known and designated as Tract B Consolidated of the May Mac Farm as shown on map or plat thereof recorded in Plat Cabinet 8, slide 184 in Office of Jessamine County Clerk. Tract B Consolidated contains 3.11 acres. BEING the same property conveyed to Blue Grass Rural Electric Cooperative Corporation by deed of Jouett A. McDowell and others dated March 7, 1997 and recorded in Deed Book 363, page 542 in Office of the Jessamine County Clerk.

PARCEL E:

All that certain real estate located in Jessamine County, Kentucky and more particularly described as follows: BEGINNING at a point in the West right of way line of U.S. Highway NO. 27 at an iron pin corner to lot of Blue Grass Rural Electric Cooperative Corporation; thence with the Western edge of said right of way S 19-15 W 209.5 feet to an iron pin in the Western edge of said right of way, corner to property previously conveyed to Bert McDowell; thence along a new line with Bert McDowell N 70-00 W 4415.84 feet to an iron pin corner to Bert McDowell in the line of Mae McDowell; thence along a new line with Mae McDowell N 19-15 E 209.5 feet to an iron pin in line of Blue Grass RECC. property; thence with the line of Blue Grass RECC property S 70-00 E 415.84 feet to the point of BEGINNING. . . containing two acres. See plat recorded in Deed Book 84, page 474 in the Office fo the Jessamine County Clerk.

BEING the same property conveyed to BLUE GRASS RURAL ELECTRIC COOPERATIVE CORPORATION by deed of Evelyn McDowell Irwin and John V. Irwin dated October 14, 1986 and recorded in Deed Book 218, page 135 in the Office of the Jessamine County Clerk.

PARCEL F:

A certain tract or parcel of land lying on the west side of U.S. Highway No. 27 about 1 ½ miles north of Nicholasville, in Jessamine County, Kentucky, and more particularly described as follows: Beginning at a nail and bottle cap in the center of Bakers Lane 14 feet from fence and in line with State Highway Department right-of-way for U.S. Highway No.27; thence N 57 - 30' W 487 feet to a nail and bottle cap in center of Baker's Lane approximately 11 fee 4 inches form fence; thence S 32 -W 387 feet along the property of Margaret Mae McDowell to a stake corner to said Margaret Mae McDowell; thence S 70 E 553 feet along the property of Margaret Mae McDowell to a stake corner to Margaret Mae McDowell and the west right-of-way line of U.S. Highway No. 27; thence N 19 15' E with the west right-of-way line of U.S. Highway No. 27; thence N 19 15' E with the west right-of-way line of U.S. Highway No. 27 a distance of 283 feet to the point of beginning; containing 4 acres, more of less.

BEING the same property conveyed to Blue Grass Rural Electric Cooperative Corporation by deed of Margaret Mae McDowell and Allin McDowell dated July 1, 1957 an recorded in Deed Book 66, page 244 in the office of the Jessamine County Clerk.

PARCEL G:

A certain tract of land described in a certain Deed dated June 6, 1961 by J.B. Sweeney and Cora M. Sweeney, his wife, Grantors, to Fox Creek Electric Cooperative Corporation*, Grantee, recorded in the Office of the County Court Clerk of Anderson County, in the State of Kentucky, in Deed Book 56, at page 197, and more particularly described as follows:

A certain tract of real estate in Anderson County, Kentucky, on the South side of the Lawrenceburg and Shyrocks Ferry Road (now Highway 62) about one half mile East of Lawrenceburg, and more fully bounded and described as follows:

Beginning at point at Southeast line of U.S. #62 corner of McAfee tract; thence with McAfee as fenced South 26 15 minutes East 682' to a post in McAfee's line corner to Sweeney tract no. 1; thence with Sweeney tract no. 8 North 63 degrees 15 minutes East 772' to a stake; thence North 33 degrees 30 minutes West 704' to a post to Southeast line of U.S. Highway #62, corner to Sweeney's tract no. 8; thence with the Southeast line of U.S. 62 South 64 degrees 30 minutes West 354' to a post and South 33 degrees 30 minutes East 15' to a stake and South 61 degrees 30 minutes West 340' more or less to the beginning, containing 11.43 acre, more or less.

PARCEL H:

A certain tract of land described in certain Deed dated August 11, 1966 by J.B. Sweeney and Cora M. Sweeney, husband and wife, as Grantors, to Fox Creek Rural Electric Cooperative Corporation*, a Kentucky Corporation, and recorded in the Office of the Clerk of Anderson County, in the State of Kentucky, in Deed Book 64, at page 115, and more particularly described as follows:

A certain tract or parcel of real estate, lying an being about one mile east of Lawrenceburg in Anderson County, Kentucky, more particularly bounded and described as follows:

Beginning at a stake in the southeast corner of a tract of real estate containing 11.43 acres presently owned by Grantee; thence South 33 degrees 30 minutes E 206' to a stake; thence South 55 degrees 45 minutes West 526' to a stake located 12', more or less, from bank of creek; thence North 52 degrees West 306.7 feet to a stake in the southern boundary of property owned by Grantee; thence with the line of Grantee North 63 degrees 15 minutes East 633' to the point of beginning, containing 3.246 acres, be the same more or less according to survey made by Curtis Ochs, Jr., County Surveyor of Spencer County, Kentucky, on August 1, 1966.

PARCEL I:

A certain tract of land described in a certain Deed dated June 14, 1974 by J.B. Sweeney, Grantor to Fox Creek Rural Electric Cooperative Corporation *, Grantee, recorded in the office of the County Clerk of Anderson County, in the State of Kentucky, in Deed Book 81, at page 14, and more particularly described as follows:

A certain tract or parcel of real estate which lies East of and adjacent to real estate already owned by the Grantee situated South of U.S. Highway 62, about one mile East of Lawrenceburg in Anderson County, Kentucky, and more particularly bounded and described as follows:

Beginning at an iron pin by brace post in the east right-of-way line of property of Grantee, which post is located 352.40' South right-of-way lien of said U.S. Highway 62; thence North 59 degrees 40 minutes East 171.70' to an iron pin; thence South 29 degrees 20 minutes East 200' to and iron pin at barn foundation and 11' from southeast corner of said barn; thence South 63 degrees 30 minutes West 37' to an iron pin at barn foundation located 11' from southwest corner of said barn; thence South 14 degrees 10 minutes East 157.70' to a post by 24' Elm; thence South 58 degrees West 68.30' to a post in the east line of Grantee; thence with the east line of Grantee North 33 degrees 30 minutes West 350.80' to the point of beginning, containing 1.07 (one and seven-one-hundredths) acres, be the same more of less, according to Survey prepared by Curtis Ochs, Jr., Registered Land Surveyor #331 on May 29, 1974.

THERE IS RESERVED in favor of J.B. Sweeney, a single man, his heirs and assigns, an easement passway 12 (twelve) feet in width across the southern portion of said parcel of real estate, which easement passway is for the benefit of J.B. Sweeney, his heirs and assigns, agents, servants, and employees, in traveling to and from remaining lands of J. B. Sweeney located on the south and east sides of the above described parcel of real estate.

THERE IS EXCEPTED, however, from this above described, two tracts conveyed by Fox Creek Rural Electric Cooperative Corporation to William T. May and Anna K. May, his wife, by Deed dated July 3, 1992 and recorded in the Office of the County Clerk of Anderson County, in the State of Kentucky, in Deed Book 147, at page 596, which tracts contained .1969 acres and .0618 acres respectively.

PARCEL J:

A certain tract or parcel of land, together with all improvements thereon, described in a certain deed dated August 6, 1959, executed and delivered by Roland S. And Cora M. Huff, as grantors to the Harrison County Rural Electric Cooperative Corporation**, as grantee, and recorded on the 6th day of August, 1959, in the office of the Clerk of Bracken County, Kentucky, in Deed Book 82, Page 237; and more particularly described as follows:

A certain tract or parcel of land situated, lying and being on State Highway #10, in Bracken County, Kentucky and bounded and described as follows, viz: - Beginning in the center of said Highway, corner to J.I. Carpenter, now W.K. Carpenter, then running with the road north to planted stone; thence northwest parallel with a small drain to a gum tree, near a water date in Carpenter's line; thence running east 815 feet to the center of said road, place of beginning. Containing ten (10) acres, more or less.

PARCEL K:

A certain tract or parcel of land, together with all improvements thereon, described in a certain deed dated March 1, 1966, executed and delivered by Max P. Chase, as grantor to the Harrison County Rural Electric Cooperative Corporation**, as grantee, and recorded on the 2nd day of March, 1966, in the Office of the Clerk of Harrison County, Kentucky, in Deed Book 128, page 207; and more particularly described as follows:

All the following described property, lying and being on Oddville Avenue, in Cynthiana, Harrison, County, Kentucky and bounded and described as follows: Beginning at a point, corner to Ingles lot; thence East with Oddville Avenue 100 feet to William Breeze; thence South 337 feet, more or less, to Marshall Crouch; thence West 100 feet to Marshall Crouch lot; thence North 337 feet, more or less, to the beginning.

PARCEL L:

All that certain tract of land located in Harrison County, Kentucky and being Lot #1 of the Cynthiana - Harrison County Economic Development Authority, Inc. Business Park consisting of 12.176 acres as set out on plat recorded in Plat Cabinet 4, sheet 538 and subject to restrictive covenants recorded in Deed Book 272, page 459 in office of the Harrison County Clerk.

Being the same property conveyed to Blue Grass Energy Cooperative Corporation by deed of Cynthiana - Harrison County Economic Development Authority, Inc. dated August 24, 2004 and recorded in Deed Book 278, page 60 in the office of the Harrison County Clerk.

* Parcels G, H and I acquired by Blue Grass Energy Cooperative Corporation by a consolidation with Fox Creek Rural Electric Cooperative Corporation effective January 1, 1998.

** Parcels J and K, were all conveyed to Harrison county Rural Electric Cooperative Corporation which was acquired by Blue Grass Energy Cooperative Corporation by a consolidation with Harrison County Rural Electric Cooperative Corporation effective January 1, 2002.

UCC FINANCING STATEMENT

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

A. NAME & PHONE OF CONTACT AT FILER [optional]

B. SEND ACKNOWLEDGMENT TO: (Name and Address)

National Rural Utilities Cooperative Finance Corporation
 2201 Cooperative Way
 Herndon, VA 20171-3025
 Attn: Legal Administrative Assistant

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1. DEBTOR'S EXACT FULL LEGAL NAME - insert only one debtor name (1a or 1b) - do not abbreviate or combine names

1a ORGANIZATION'S NAME Blue Grass Energy Cooperative Corporation						
OR	1b INDIVIDUAL'S LAST NAME		FIRST NAME	MIDDLE NAME	SUFFIX	
1c MAILING ADDRESS 1201 Lexington Road		CITY Nicholasville		STATE KY	POSTAL CODE 40356	COUNTRY USA
1d TAX ID #: SSN OR EIN	ADD'L INFO RE ORGANIZATION DEBTOR	1e TYPE OF ORGANIZATION CORPORATION	1f JURISDICTION OF ORGANIZATION Kentucky	1g ORGANIZATIONAL ID #, if any 0526514 <input type="checkbox"/> NONE		

2. ADDITIONAL DEBTOR'S EXACT FULL LEGAL NAME - insert only one debtor name (2a or 2b) - do not abbreviate or combine names

2a ORGANIZATION'S NAME						
OR	2b INDIVIDUAL'S LAST NAME		FIRST NAME	MIDDLE NAME	SUFFIX	
2c MAILING ADDRESS		CITY		STATE	POSTAL CODE	COUNTRY
2d TAX ID #: SSN OR EIN	ADD'L INFO RE ORGANIZATION DEBTOR	2e TYPE OF ORGANIZATION CORPORATION	2f JURISDICTION OF ORGANIZATION	2g ORGANIZATIONAL ID #, if any <input type="checkbox"/> NONE		

3. SECURED PARTY'S NAME (or NAME of TOTAL ASSIGNEE of ASSIGNOR S/P) - insert only one secured party name (3a or 3b)

3a ORGANIZATION'S NAME United States of America, Rural Utilities Service, USDA						
OR	3b INDIVIDUAL'S LAST NAME		FIRST NAME	MIDDLE NAME	SUFFIX	
3c MAILING ADDRESS 1400 Independence Avenue, S.W.		CITY Washington		STATE DC	POSTAL CODE 20250-1500	COUNTRY USA

4. This FINANCING STATEMENT covers the following collateral:

ALL ASSETS, both real and personal, whether now or hereinafter acquired, as set forth in Attachments "A" and "B" attached hereto and incorporated herein.

5. ALTERNATIVE DESIGNATION (if applicable):	<input type="checkbox"/> LESSEE/LESSOR	<input type="checkbox"/> CONSIGNEE/CONSIGNOR	<input type="checkbox"/> BAILEE/BAILOR	<input type="checkbox"/> SELLER/BUYER	<input type="checkbox"/> AG. LIEN	<input type="checkbox"/> NON-UCC FILING
6. <input type="checkbox"/> This FINANCING STATEMENT is to be filed (for record) (or recorded) in the REAL ESTATE RECORDS. Attach Addendum	<input type="checkbox"/> (if applicable)	7. Check to REQUEST SEARCH REPORT(S) on Debtor(s) [ADDITIONAL FEE] (optional)	<input type="checkbox"/>	<input type="checkbox"/> All Debtors	<input type="checkbox"/> Debtor 1	<input type="checkbox"/> Debtor 2
8. OPTIONAL FILER REFERENCE DATA Kentucky 0064-F8						

EXHIBIT A

UCC FINANCING STATEMENT ADDENDUM

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

9. NAME OF FIRST DEBTOR (1a or 1b) ON RELATED FINANCING STATEMENT

9a. ORGANIZATION'S NAME Blue Grass Energy Cooperative Corporation			
OR	9b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME, SUFFIX

10. MISCELLANEOUS:

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

11. ADDITIONAL DEBTOR'S EXACT FULL LEGAL NAME - insert only one name (11a or 11b) - do not abbreviate or combine names

11a. ORGANIZATION'S NAME					
OR	11b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME	SUFFIX	
11c. MAILING ADDRESS		CITY	STATE	POSTAL CODE	COUNTRY
11d. SEE INSTRUCTIONS	ADD'L INFO RE ORGANIZATION DEBTOR	11e. TYPE OF ORGANIZATION CORPORATION	11f. JURISDICTION OF ORGANIZATION	11g. ORGANIZATIONAL ID #, if any <input type="checkbox"/> NONE	

12. ADDITIONAL SECURED PARTY'S or ASSIGNOR S/P'S NAME - insert only one name (12a or 12b)

12a. ORGANIZATION'S NAME National Rural Utilities Cooperative Finance Corporation					
OR	12b. INDIVIDUAL'S LAST NAME	FIRST NAME	MIDDLE NAME	SUFFIX	
12c. MAILING ADDRESS 20701 Cooperative Way		CITY Dulles	STATE VA	POSTAL CODE 20166	COUNTRY USA

13. This FINANCING STATEMENT covers timber to be cut or as-extracted collateral, or is filed as a fixture filing.

14. Description of real estate:

Refer to Attachment "B" attached hereto and incorporated by reference herein.

15. Name and address of a RECORD OWNER of above-described real estate (if Debtor does not have a record interest):

16. Additional collateral description:

17. Check only if applicable and check only one box.
Debtor is a Trust or Trustee acting with respect to property held in trust or Decedent's Estate

18. Check only if applicable and check only one box.
 Debtor is a TRANSMITTING UTILITY
 Filed in connection with a Manufactured-Home Transaction
 Filed in connection with a Public-Finance Transaction

Attachment A

Debtor: Blue Grass Energy Cooperative Corporation

All property, assets, rights, privileges and franchises of the Debtor of every kind and description, real, personal or mixed, tangible and intangible, of the kind or nature specifically mentioned herein OR ANY OTHER KIND OR NATURE, except any Excepted Property, now owned or hereafter acquired or arising by the Debtor (by purchase, consolidation, merger, donation, construction, erection or in any other way) wherever located, including (without limitation) all and singular the following (hereinafter sometimes called the "Collateral"):

FIRST

- A. all of those fee and leasehold interests in real property set forth in Attachment "B" hereto, subject in each case to those matters set forth in such Attachment;
- B. all of the Debtor's interest in fixtures, easements, permits, licenses and rights-of-way comprising real property, and all other interests in real property, comprising any portion of the utility system located in the Counties listed in Attachment "B" hereto;
- C. all right, title and interest of the Debtor in and to those contracts of the Debtor
 - (i) relating to the ownership, operation or maintenance of any generation, transmission or distribution facility owned, whether solely or jointly, by the Debtor,
 - (ii) for the purchase of electric power and energy by the Debtor and having an original term in excess of 3 years,
 - (iii) for the sale of electric power and energy by the Debtor and having an original term in excess of 3 years, and
 - (iv) for the transmission of electric power and energy by or on behalf of the Debtor and having an original term in excess of 3 years, including in respect of any of the foregoing, any amendments, supplements and replacements thereto;
- D. all the property, rights, privileges, allowances and franchises particularly described in the annexed Attachment "B" are hereby made a part of, and deemed to be described in, this clause as fully as if set forth in this clause at length; and

ALSO ALL OTHER PROPERTY, real estate, lands, easements, servitudes, licenses, permits, allowances, consents, franchises, privileges, rights of way and other rights in or relating to real estate or the occupancy of the same; all power sites, storage rights, water rights, water locations, water appropriations, ditches, flumes, reservoirs, reservoir sites, canals, raceways, waterways, dams, dam sites, aqueducts, and all other rights or means for appropriating, conveying, storing and supplying water, all rights of way and roads; all plants for the generation of electric and other forms of energy (whether now known or hereafter developed) by steam, water, sunlight, chemical processes and/or (without limitation) all other sources of power (whether now known or hereafter developed), all power houses, gas plants, street lighting systems, standards and other equipment incidental thereto, all telephone, radio, television and other communications, image and data transmission systems, air conditioning systems and equipment incidental thereto, water wheels, waterworks, water systems, steam and hot water plants, substations, lines, service and supply systems, bridges, culverts, tracks, ice or refrigeration plants and equipment, offices, buildings and other structures and the equipment thereto, all machinery, engines, boilers, dynamos, turbines, electric, gas and other machines, prime movers, regulators, meters, transformers, generators (including, but not limited to, engine-driven generators and turbo generator units), motors, electrical, gas and mechanical appliances, conduits, cables, water, steam, gas or other pipes, gas mains and pipes, service pipes, fittings, valves and connections, pole and transmission lines, towers, overhead conductors and devices, underground conduits, underground conductors and devices, wires, cables, tools, implements, apparatus, storage battery equipment, and all other equipment, fixtures and personalty, all municipal and other franchises, consents, certificates or permits; all emissions allowances, all lines for the transmission

Debtor: Blue Grass Energy Cooperative Corporation

and distribution of electric current and other forms of energy, gas, steam, water or communications, images and data for any purpose including towers, poles, wires, cables, pipes, conduits, ducts and all apparatus for use in connection therewith, and (except as hereinbefore or hereinafter expressly excepted) all the right, title and interest of the Debtor in and to all other property of any kind or nature appertaining to and/or used and/or occupied and/or employed in connection with any property hereinbefore described, but in all circumstances excluding Excepted Property;

SECOND

With the exception of Excepted Property, all right, title and interest of the Debtor in, to and under all personal property and fixtures of every kind and nature including without limitation all goods (including inventory, equipment and any accessions thereto), instruments (including promissory notes), documents, accounts, chattel paper, electronic chattel paper, deposit accounts (including, but not limited to, money held in a trust account pursuant hereto or to a loan agreement), letter-of-credit rights, investment property (including certificated and uncertificated securities, security entitlements and securities accounts), software, general intangibles (including, but not limited to, payment intangibles), supporting obligations, any other contract rights or rights to the payment of money, insurance claims, and proceeds (as such terms are presently or hereinafter defined in the applicable UCC; provided, however that the term "instrument" shall be such term as defined in Article 9 of the applicable UCC rather than Article 3);

THIRD

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

FOURTH

With the exception of Excepted Property, all right, title and interest of the Debtor in, to and under any and all books, records and correspondence relating to the Collateral, including, but not limited to all records, ledgers, leases and computer and automatic machinery software and programs, including without limitation, programs, databases, disc or tape files and automatic machinery print outs, runs and other computer prepared information indicating, summarizing, evidencing or otherwise necessary or helpful in the collection of or realization on the Collateral;

FIFTH

All other property, real, personal or mixed, of whatever kind and description and wheresoever situated, including without limitation goods, accounts, money held in a trust account pursuant hereto or to a loan agreement, and general intangibles now owned or which be hereafter acquired by the Debtor, but excluding Excepted Property, now owned or which may be hereafter acquired by the Debtor, it being the intention hereof that all property, rights, privileges, allowances and franchises now owned by the Debtor or acquired by the Debtor after the date hereof (other than Excepted Property) shall be as fully embraced within and subjected to the lien hereof as if such property were specifically described herein;

SIXTH

Also any Excepted Property that may, from time to time hereafter, by delivery or by writing of any kind, be subjected to the lien hereof by the Debtor or by anyone in its behalf; and any Secured Party is hereby authorized to receive the same at any time as additional security hereunder for the benefit of all the Secured Parties. Such subjection to the lien hereof of any Excepted Property as additional security may be made subject to any reservations, limitations or conditions which shall be set forth in a written

Debtor: Blue Grass Energy Cooperative Corporation

instrument executed by the Debtor or the person so acting in its behalf or by such Secured Party respecting the use and disposition of such property or the proceeds thereof;

SEVENTH

Together with all and singular the tenements, hereditaments and appurtenances belonging or in anywise appertaining to the aforesaid property or any part thereof, with the reversion and reversions, remainder and remainders and all the tolls, earnings, rents, issues, profits, revenues and other income, products and proceeds of the Collateral, and all other property of any nature appertaining to any of the plants, systems, business or operations of the Debtor, whether or not affixed to the realty, used in the operation of any of the premises or plants or the utility system, or otherwise, which are now owned or acquired by the Debtor, and all the estate, right, title and interest of every nature whatsoever, at law as well as in equity, of the Debtor in and to the same and every part thereof (other than Excepted Property with respect to any of the foregoing).

**SCHEDULE B
PROPERTY SCHEDULE**

PARCEL A:

A certain tract of land, located in Madison County, Kentucky, on U. S. #25, and being Lot #1 on a certain plat of the "John Kaylor property". Prepared by B.H. Luxon, III. Civil Engineer, dated October, 1977, and of record in Plat Book 5, Page 373 in which the Madison County Clerk's office, Richmond, Kentucky to which reference is hereby made for a more particular description to the premises.

PARCEL B:

A certain tract or parcel of land located on the south side of Hurley Shortline Street, in Madison County, Kentucky, which tract is more particularly described as follows:

BEGINNING at a point in the south line of Hurley-Shortline Street, a corner to Danny Rorrer; thence S 01 10' E, a distance of 133.5 feet, a corner with Harold P. Prewitt; thence a new line with Prewitt, N 87 14' W, a distance of 248.5 feet to the property line of Fritz; thence with Fritz, N 05 7' W a distance of 134 feet to Hurley Street; thence with Hurley Street, S 87 14' E. A distance of 240.3 feet to the point of BEGINNING, and being Tract "A", as shown on Minor Plat entitled "HAROLD P. PREWITT PROPERTY, HURLEY-SHORTLINE ST., MADISON COUNTY, KENTUCKY, prepared by B.H. Luxon III, Civil Engineers, dated May 1983, and recorded in the Madison County Clerk's Office at Richmond, Kentucky, in Plat Book 7, at page 22;

RESERVING, HOWEVER, to the parties of the first part, their heirs and assigns, a fifty foot right-of-way easement for the purpose of ingress and egress from Hurley-Shortline Street to other property of the first parties, as shown on Minor Plat recorded in the Madison County Clerk's Office at Richmond, Kentucky, in Plat Book Y, at Page 22, reference to which is hereby made.

Parcel A and B being the same property conveyed to Blue Grass Rural Electric Cooperative Corporation by deed of Russell E. Major and Lucy R. Major dated March 28, 1997 and recorded in Deed Book 475, page 389 in Office of Madison County Clerk.

PARCEL C:

All that certain real estate located in Madison County, Kentucky and more particularly described as follows:

BEING Tract #2 of a certain plat of the John A. Kaylor property prepared by B.H. Luxon III, Civil Engineer, in October 1977 and of record in Plat Book 5, page 373 in the Madison county Court Clerk's office, reference to which is hereby made for a more particular description of the premises. There is EXCLUDED a certain tract of land previously conveyed by HAROLD P. PREWITT and wife to DANNY ORDER, by deed dated June 29, 1983 and recorded in Deed Book 354, page 205 in the Madison County Court Clerk's office, conveying Tract "A" of Plat Book 7, page 22.

BEING the same property conveyed to BLUE GRASS RURAL ELECTRIC COOPERATIVE CORPORATION by deed of MADISON TRACTOR, INC. dated February 10, 1988 and recorded in Deed Book 390, page 57 in the Office of the Madison County Clerk.

PARCEL D:

All that tract of land located in Jessamine County, Kentucky and being known and designated as Tract B Consolidated of the May Mac Farm as shown on map or plat thereof recorded in Plat Cabinet 8, slide 184 in Office of Jessamine County Clerk. Tract B Consolidated contains 3.11 acres. BEING the same property conveyed to Blue Grass Rural Electric Cooperative Corporation by deed of Jouett A. McDowell and others dated March 7, 1997 and recorded in Deed Book 363, page 542 in Office of the Jessamine County Clerk.

PARCEL E:

All that certain real estate located in Jessamine County, Kentucky and more particularly described as follows: BEGINNING at a point in the West right of way line of U.S. Highway NO. 27 at an iron pin corner to lot of Blue Grass Rural Electric Cooperative Corporation; thence with the Western edge of said right of way S 19-15 W 209.5 feet to an iron pin in the Western edge of said right of way, corner to property previously conveyed to Bert McDowell; thence along a new line with Bert McDowell N 70-00 W 4415.84 feet to an iron pin corner to Bert McDowell in the line of Mae McDowell; thence along a new line with Mae McDowell N 19-15 E 209.5 feet to an iron pin in line of Blue Grass RECC. property; thence with the line of Blue Grass RECC property S 70-00 E 415.84 feet to the point of BEGINNING. . . containing two acres. See plat recorded in Deed Book 84, page 474 in the Office fo the Jessamine County Clerk.

BEING the same property conveyed to BLUE GRASS RURAL ELECTRIC COOPERATIVE CORPORATION by deed of Evelyn McDowell Irwin and John V. Irwin dated October 14, 1986 and recorded in Deed Book 218, page 135 in the Office of the Jessamine County Clerk.

PARCEL F:

A certain tract or parcel of land lying on the west side of U.S. Highway No. 27 about 1 ½ miles north of Nicholasville, in Jessamine County, Kentucky, and more particularly described as follows: Beginning at a nail and bottle cap in the center of Bakers Lane 14 feet from fence and in line with State Highway Department right-of-way for U.S. Highway No.27; thence N 57 - 30' W 487 feet to a nail and bottle cap in center of Baker's Lane approximately 11 fee 4 inches form fence; thence S 32 -W 387 feet along the property of Margaret Mae McDowell to a stake corner to said Margaret Mae McDowell; thence S 70 E 553 feet along the property of Margaret Mae McDowell to a stake corner to Margaret Mae McDowell and the west right-of-way line of U.S. Highway No. 27; thence N 19 15' E with the west right-of-way line of U.S. Highway No. 27; thence N 19 15' E with the west right-of-way line of U.S. Highway No. 27 a distance of 283 feet to the point of beginning; containing 4 acres, more of less.

BEING the same property conveyed to Blue Grass Rural Electric Cooperative Corporation by deed of Margaret Mae McDowell and Allin McDowell dated July 1, 1957 an recorded in Deed Book 66, page 244 in the office of the Jessamine County Clerk.

PARCEL G:

A certain tract of land described in a certain Deed dated June 6, 1961 by J.B. Sweeney and Cora M. Sweeney, his wife, Grantors, to Fox Creek Electric Cooperative Corporation*, Grantee, recorded in the Office of the County Court Clerk of Anderson County, in the State of Kentucky, in Deed Book 56, at page 197, and more particularly described as follows:

A certain tract of real estate in Anderson County, Kentucky, on the South side of the Lawrenceburg and Shyrocks Ferry Road (now Highway 62) about one half mile East of Lawrenceburg, and more fully bounded and described as follows:

Beginning at point at Southeast line of U.S. #62 corner of McAfee tract; thence with McAfee as fenced South 26 15 minutes East 682' to a post in McAfee's line corner to Sweeney tract no. 1; thence with Sweeney tract no. 8 North 63 degrees 15 minutes East 772' to a stake; thence North 33 degrees 30 minutes West 704' to a post to Southeast line of U.S. Highway #62, corner to Sweeney's tract no. 8; thence with the Southeast line of U.S. 62 South 64 degrees 30 minutes West 354' to a post and South 33 degrees 30 minutes East 15' to a stake and South 61 degrees 30 minutes West 340' more or less to the beginning, containing 11.43 acre, more or less.

PARCEL H:

A certain tract of land described in certain Deed dated August 11, 1966 by J.B. Sweeney and Cora M. Sweeney, husband and wife, as Grantors, to Fox Creek Rural Electric Cooperative Corporation*, a Kentucky Corporation, and recorded in the Office of the Clerk of Anderson County, in the State of Kentucky, in Deed Book 64, at page 115, and more particularly described as follows:

A certain tract or parcel of real estate, lying an being about one mile east of Lawrenceburg in Anderson County, Kentucky, more particularly bounded and described as follows:

Beginning at a stake in the southeast corner of a tract of real estate containing 11.43 acres presently owned by Grantee; thence South 33 degrees 30 minutes E 206' to a stake; thence South 55 degrees 45 minutes West 526' to a stake located 12', more or less, from bank of creek; thence North 52 degrees West 306.7 feet to a stake in the southern boundary of property owned by Grantee; thence with the line of Grantee North 63 degrees 15 minutes East 633' to the point of beginning, containing 3.246 acres, be the same more or less according to survey made by Curtis Ochs, Jr., County Surveyor of Spencer County, Kentucky, on August 1, 1966.

PARCEL I:

A certain tract of land described in a certain Deed dated June 14, 1974 by J.B. Sweeney, Grantor to Fox Creek Rural Electric Cooperative Corporation *, Grantee, recorded in the office of the County Clerk of Anderson County, in the State of Kentucky, in Deed Book 81, at page 14, and more particularly described as follows:

A certain tract or parcel of real estate which lies East of and adjacent to real estate already owned by the Grantee situated South of U.S. Highway 62, about one mile East of Lawrenceburg in Anderson County, Kentucky, and more particularly bounded and described as follows:

Beginning at an iron pin by brace post in the east right-of-way line of property of Grantee, which post is located 352.40' South right-of-way lien of said U.S. Highway 62; thence North 59 degrees 40 minutes East 171.70' to an iron pin; thence South 29 degrees 20 minutes East 200' to and iron pin at barn foundation and 11' from southeast corner of said barn; thence South 63 degrees 30 minutes West 37' to an iron pin at barn foundation located 11' from southwest corner of said barn; thence South 14 degrees 10 minutes East 157.70' to a post by 24' Elm; thence South 58 degrees West 68.30' to a post in the east line of Grantee; thence with the east line of Grantee North 33 degrees 30 minutes West 350.80' to the point of beginning, containing 1.07 (one and seven-one-hundredths) acres, be the same more of less, according to Survey prepared by Curtis Ochs, Jr., Registered Land Surveyor #331 on May 29, 1974.

THERE IS RESERVED in favor of J.B. Sweeney, a single man, his heirs and assigns, an easement passway 12 (twelve) feet in width across the southern portion of said parcel of real estate, which easement passway is for the benefit of J.B. Sweeney, his heirs and assigns, agents, servants, and employees, in traveling to and from remaining lands of J. B. Sweeney located on the south and east sides of the above described parcel of real estate.

THERE IS EXCEPTED, however, from this above described, two tracts conveyed by Fox Creek Rural Electric Cooperative Corporation to William T. May and Anna K. May, his wife, by Deed dated July 3, 1992 and recorded in the Office of the County Clerk of Anderson County, in the State of Kentucky, in Deed Book 147, at page 596, which tracts contained .1969 acres and .0618 acres respectively.

PARCEL J:

A certain tract or parcel of land, together with all improvements thereon, described in a certain deed dated August 6, 1959, executed and delivered by Roland S. And Cora M. Huff, as grantors to the Harrison County Rural Electric Cooperative Corporation**, as grantee, and recorded on the 6th day of August, 1959, in the office of the Clerk of Bracken County, Kentucky, in Deed Book 82, Page 237; and more particularly described as follows:

A certain tract or parcel of land situated, lying and being on State Highway #10, in Bracken County, Kentucky and bounded and described as follows, viz: - Beginning in the center of said Highway, corner to J.I. Carpenter, now W.K. Carpenter, then running with the road north to planted stone; thence northwest parallel with a small drain to a gum tree, near a water date in Carpenter's line; thence running east 815 feet to the center of said road, place of beginning. Containing ten (10) acres, more or less.

PARCEL K:

A certain tract or parcel of land, together with all improvements thereon, described in a certain deed dated March 1, 1966, executed and delivered by Max P. Chase, as grantor to the Harrison County Rural Electric Cooperative Corporation**, as grantee, and recorded on the 2nd day of March, 1966, in the Office of the Clerk of Harrison County, Kentucky, in Deed Book 128, page 207; and more particularly described as follows:

All the following described property, lying and being on Oddville Avenue, in Cynthiana, Harrison, County, Kentucky and bounded and described as follows: Beginning at a point, corner to Ingles lot; thence East with Oddville Avenue 100 feet to William Breeze; thence South 337 feet, more or less, to Marshall Crouch; thence West 100 feet to Marshall Crouch lot; thence North 337 feet, more or less, to the beginning.

PARCEL L:

All that certain tract of land located in Harrison County, Kentucky and being Lot #1 of the Cynthiana - Harrison County Economic Development Authority, Inc. Business Park consisting of 12.176 acres as set out on plat recorded in Plat Cabinet 4, sheet 538 and subject to restrictive covenants recorded in Deed Book 272, page 459 in office of the Harrison County Clerk.

Being the same property conveyed to Blue Grass Energy Cooperative Corporation by deed of Cynthiana - Harrison County Economic Development Authority, Inc. dated August 24, 2004 and recorded in Deed Book 278, page 60 in the office of the Harrison County Clerk.

* Parcels G, H and I acquired by Blue Grass Energy Cooperative Corporation by a consolidation with Fox Creek Rural Electric Cooperative Corporation effective January 1, 1998.

** Parcels J and K, were all conveyed to Harrison county Rural Electric Cooperative Corporation which was acquired by Blue Grass Energy Cooperative Corporation by a consolidation with Harrison County Rural Electric Cooperative Corporation effective January 1, 2002.

Debtor: Blue Grass Energy Cooperative Corporation

EXCEPTED PROPERTY

There is, however, expressly excepted and excluded from the Collateral the following described property of the Debtor, now owned or hereafter acquired (herein sometimes referred to as "Excepted Property"):

- A. all shares of stock, securities or other interests of the Debtor in the National Rural Utilities Cooperative Finance Corporation and CoBank, ACB and its predecessors in interest other than any stock, securities or other interests that are specifically described in Subclause D of clause First as being subjected to the lien hereof;
- B. all rolling stock (except mobile substations), automobiles, buses, trucks, truck cranes, tractors, trailers and similar vehicles and movable equipment which are titled and/or registered in any state of the United States of America and all tools, accessories and supplies used in connection with any of the foregoing;
- C. all vessels, boats, ships, barges and other marine equipment, all airplanes, airplane engines and other flight equipment, and all tools, accessories and supplies used in connection with any of the foregoing;
- D. all office furniture, equipment and supplies that is not data processing, accounting or other computer equipment or software;
- E. all leasehold interests for office purposes;
- F. all leasehold interests of the Debtor under leases for an original term (including any period for which the Debtor shall have a right of renewal) of less than five (5) years;
- G. all timber and crops (both growing and harvested) and all coal, ore, gas, oil and other minerals (both in place or severed);
- H. the last day of the term of each leasehold estate (oral or written) and any agreement therefor, now or hereafter enjoyed by the Debtor and whether falling within a general or specific description of property herein: PROVIDED, HOWEVER, that the Debtor covenants and agrees that it will hold each such last day in trust for the use and benefit of all of the Secured Parties and that it will dispose of each such last day from time to time in accordance with such written order as the Secured Party in its discretion may give;
- I. all permits, licenses, franchises, contracts, agreements, contract rights and other rights not specifically subjected or required to be subjected to the lien hereof by the express provisions of the mortgage and security agreement by and among Debtor and Secured Parties (the "Mortgage"), whether now owned or hereafter acquired by the Debtor, which by their terms or by reason of applicable law would become void or voidable if mortgaged or pledged hereunder by the Debtor, or which cannot be granted, conveyed, mortgaged, transferred or assigned by the Mortgage without the consent of other parties whose consent has been withheld, or without subjecting any Secured Party to a liability not otherwise contemplated by the provisions of the Mortgage, or which otherwise may not be, hereby lawfully and effectively granted, conveyed, mortgaged, transferred and assigned by the Debtor; and
- J. the property, if any, identified in Attachment "C" hereto.

PROVIDED, HOWEVER, that (i) if, upon the occurrence of an Event of Default (as defined in the Mortgage), any Secured Party, or any receiver appointed pursuant to statutory provision or order of court, shall have entered into possession of all or substantially all of the Collateral, all the Excepted Property described or referred to in the foregoing Subdivisions A through H, inclusive, then owned or thereafter acquired by the Debtor shall immediately, and, in the case of any Excepted Property described or referred to in Subdivisions I through J, inclusive, upon demand of any Secured Party or such receiver, become subject to the lien hereof to the extent permitted by law, and any Secured Party or such receiver may, to the extent permitted by law, at the same time likewise take possession thereof, and (ii) whenever all Events of Default shall have been cured and the possession of all or substantially all of the Collateral shall have been restored to the Debtor, such Excepted Property shall again be excepted and excluded from the lien hereof to the extent and otherwise as hereinabove set forth.

FOR FFB USE ONLY:

Note Identifier: _____

Purchase Date: _____

Last Day
For an
Advance (¶3) August 1, 2015

Maximum
Principal
Amount (¶4) \$37,992,000.00

Final
Maturity
Date (¶5) December 31, 2045

First Principal
Payment
Date (¶8) September 30, 2013

FOR RUS USE ONLY

RUS
Note
Number: _____

Note
Date August 1, 2011

Place
of Nicholasville,
Issue Kentucky

Security
Instrument (¶24) Restated Mortgage and
Security Agreement, dated
as of September 1, 2004,
made by and among Blue
Grass Energy Cooperative
Corporation, United
States of America and
National Rural Utilities
Cooperative Finance
Corporation (Kentucky
0064-F8)

FUTURE ADVANCE PROMISSORY NOTE

1. Promise to Pay.

FOR VALUE RECEIVED,

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

4. Principal Amount of Advances; Maximum Principal Amount.

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

5. Maturity Dates for Advances.

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

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

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

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

6. Computation of Interest on Advances.

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

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

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

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

7. Payment of Interest; Payment Dates.

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

8. Repayment of Principal; Principal Repayment Options.

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

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

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

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

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

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

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

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

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

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

9. Fee.

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

10. Business Days.

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

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

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

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

11. Late Payments.

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

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

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

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

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

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

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

12. Final Due Date.

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

13. Manner of Making Payments.

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

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

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

14. Application of Payments.

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

15. Maturity Extensions.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

16. Prepayment/Refinancing Privileges.

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

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

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

(2) the sum of:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(bb) the earlier to occur of either:

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

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

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

(ii) the denominator of which is 40,

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

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

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

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

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

(bb) the earlier to occur of either:

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

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

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

(ii) the denominator of which is 20,

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

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

17. Prepayments.

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

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

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

(A) must be a Business Day; and

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

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

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

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

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

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

(A) must be a Business Day; and

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

18. Refinancings.

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

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

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

(A) must be a Payment Date; and

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(2) the RUS account number for such Advance.

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

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

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

20. Amendments to Note.

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

21. Certain Waivers.

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

22. Note Effective Until Paid.

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

23. RUS Guarantee of Note.

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

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

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

25. Guarantee Payments; Reimbursement.

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

26. Default and Enforcement.

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

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

27. Acceleration.

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

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

BLUE GRASS ENERGY COOPERATIVE CORPORATION

(name of Borrower)

BY:

Signature: _____

Print Name: _____

Title: Chairman

ATTEST:

Signature: _____

(SEAL)

Print Name: _____

Title: Secretary

RUS GUARANTEE

The United States of America, acting through the Administrator of the Rural Utilities Service ("RUS"), successor to the Administrator of the Rural Electrification Administration ("REA"), hereby guarantees to the Federal Financing Bank, its successors and assigns ("FFB"), all payments of principal, interest, premium (if any), and late charges (if any), when and as due in accordance with the terms of the Note dated **August 1, 2011**, made by **BLUE GRASS ENERGY COOPERATIVE CORPORATION** (the "Borrower") payable to FFB, to which this Guarantee is attached (such note being the "Note"), with interest on the principal until paid, irrespective of (i) acceleration of such payments under the terms of the Note, or (ii) receipt by RUS of any sums or property from its enforcement of its remedies for the Borrower's default.

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

UNITED STATES OF AMERICA

By:

Name:

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

Date:

ANNEX A
TO
NEW LOAN NOTE

FORM
OF
ADVANCE REQUEST
(RUS APPROVAL REQUIRED)

ADVANCE REQUEST
(RUS APPROVAL REQUIRED)

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

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

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

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

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

USDA - Rural Utilities Service

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

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

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

ADVANCE REQUEST

Manager
Federal Financing Bank

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

Name of Borrower (the "Borrower"):

_____ 1

FFB Note Identifier:

_____ 2

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

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

1. Requested Advance Amount: \$ _____ 3

2. Requested Advance Date: _____ 4

3. Wire Instructions:

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

Name of financial institution _____

Address of financial institution _____

ABA number of financial institution _____

B. PAYEE'S BANK AND ACCOUNT:

Name of financial institution _____

Address of financial institution _____

ABA number of financial institution _____

Account name _____

Account number _____

Taxpayer ID number _____

4. Maturity Date: _____ 5

5. Principal Repayment Method:

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

"P" for the "equal principal installments" method

"G" for "graduated principal installments" method

"L" for the "level debt service" method

6

6. Prepayment/Refinancing Privilege:

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

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

"F" for the "fixed premium" privilege

o No-Call Period Option Election:

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

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

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

o Premium Option Selection:

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

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

"V" for 5% premium declining over 5 years

"P" for par (no premium)

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

(Name of Borrower)

By: _____

Name: _____

Title: _____

Date: _____

**NOTICE OF RUS APPROVAL OF
ADVANCE REQUEST**

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

**FOR ACCOUNTING
USE ONLY:**

RUS Budget
Account
Number

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

By: _____

Name: _____

Title: _____

Date: _____

INSTRUCTIONS

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

ANNEX B-1

TO

NEW LOAN NOTE

FORM

OF

MATURITY EXTENSION ELECTION NOTICE

MATURITY EXTENSION ELECTION NOTICE

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

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

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

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

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

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

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

USDA - Rural Utilities Service

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

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

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

MATURITY EXTENSION ELECTION NOTICE

Manager
Federal Financing Bank

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

Name of Borrower (the "Borrower"):

FFB Note Identifier:

RUS Note Number:

Part 1 (To be completed by RUS):

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

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

Part 2:

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

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

Part 3:

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

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

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

(Name of Borrower)

By: _____

Name: _____

Title: _____

Date: _____

INSTRUCTIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Part 1 (To be completed by RUS):

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

Part 2:

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

Part 3:

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

ANNEX B-2

TO

NEW LOAN NOTE

FORM

OF

MATURITY EXTENSION ELECTION NOTICE

(RUS APPROVAL REQUIRED)

MATURITY EXTENSION ELECTION NOTICE (RUS APPROVAL REQUIRED)

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

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

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

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

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

USDA - Rural Utilities Service

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

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

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

MATURITY EXTENSION ELECTION NOTICE

Manager
Federal Financing Bank

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

Name of Borrower (the "Borrower"):

FFB Note Identifier:

RUS Note Number:

Part 1 (To be completed by RUS):

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

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

Part 2:

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

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

Part 3:

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

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

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

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

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

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

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

USDA - Rural Utilities Service

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

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

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

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

(Name of Borrower)

By: _____

Name: _____

Title: _____

Date: _____

NOTICE OF RUS APPROVAL OF
MATURITY EXTENSION ELECTION NOTICE

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

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

By: _____

Name: _____

Title: _____

Date: _____

INSTRUCTIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Part 1 (To be completed by RUS):

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

Part 2:

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

Part 3:

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

ANNEX C-1

TO

NEW LOAN NOTE

FORM

OF

PREPAYMENT ELECTION NOTICE
SPECIFIED PRINCIPAL AMOUNT(S)

(RUS APPROVAL REQUIRED)

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

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

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

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

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

USDA - Rural Utilities Service

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

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

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

PREPAYMENT ELECTION NOTICE
SPECIFIED PRINCIPAL AMOUNT(S)

Manager
Federal Financing Bank

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

Name of Borrower (the "Borrower"):

_____ 1

FFB Note Identifier:

_____ 2

Part 1:

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

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

Part 2:

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

_____ 8

Part 3:

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

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

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

(Name of Borrower)

By: _____

Name: _____

Title: _____

Date: _____

NOTICE OF RUS APPROVAL OF
PREPAYMENT ELECTION NOTICE

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

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

By: _____

Name: _____

Title: _____

Date: _____

INSTRUCTIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

Part 1:

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

Part 3:

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

ANNEX C-2

TO

NEW LOAN NOTE

FORM

OF

PREPAYMENT ELECTION NOTICE

FIXED SUM TO BE APPLIED

(RUS APPROVAL REQUIRED)

PREPAYMENT ELECTION NOTICE
FIXED SUM TO BE APPLIED

Manager
Federal Financing Bank

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

Name of Borrower (the "Borrower"):

_____ 1

FFB Note Identifier:

_____ 2

Part 1:

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

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

Part 2:

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

_____ 8

Part 3:

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

9

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

(Name of Borrower)

By: _____

Name: _____

Title: _____

Date: _____

NOTICE OF RUS APPROVAL OF
PREPAYMENT ELECTION NOTICE

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

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

By: _____

Name: _____

Title: _____

Date: _____

INSTRUCTIONS

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

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

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

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

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

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

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

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

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

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

Part 1:

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

ANNEX D-1
TO
NEW LOAN NOTE

FORM
OF
REFINANCING ELECTION NOTICE

REFINANCING ELECTION NOTICE

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

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

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

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

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

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

USDA - Rural Utilities Service

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

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

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

REFINANCING ELECTION NOTICE

Manager
Federal Financing Bank

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

Name of Borrower (the "Borrower"):

_____ 1

FFB Note Identifier:

_____ 2

Part 1:

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

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

Part 2:

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

_____ 8

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

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

Part 3:

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

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

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

(Name of Borrower)

By: _____

Name: _____

Title: _____

Date: _____

INSTRUCTIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

¹³Complete 1 line in Part 3 for each Advance.

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

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

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

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

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

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

(10-01)

RUS

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

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

Part 1:

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

Part 2:

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

Part 3:

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

ANNEX D-2

TO

NEW LOAN NOTE

FORM

OF

REFINANCING ELECTION NOTICE

(RUS APPROVAL REQUIRED)

REFINANCING ELECTION NOTICE
(RUS APPROVAL REQUIRED)

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

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

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

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

USDA - Rural Utilities Service

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

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

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

REFINANCING ELECTION NOTICE

Manager
Federal Financing Bank

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

Name of Borrower (the "Borrower"):

_____ 1

FFB Note Identifier:

_____ 2

Part 1:

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

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

Part 2:

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

_____ 8

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

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

Part 3:

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

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

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

(Name of Borrower)

By: _____

Name: _____

Title: _____

Date: _____

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

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

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

By: _____

Name: _____

Title: _____

Date: _____

INSTRUCTIONS

- ¹Insert the corporate name of the Borrower. If the corporate name of the Borrower at the time of this Advance is different from the corporate name that appears on page 1 of the Note, add "(formerly _____)", and insert in this second blank the corporate name of the Borrower as it appears on page 1 of the Note.
- ²Insert the "FFB Note Identifier" that FFB assigned to the Note (as provided in the Agreement).
- ³Complete 1 line in Part 1 for each Advance that the Borrower intends to refinance. For each Advance, insert the "FFB Identifier" for the respective Advance as specified in the most recent billing notice delivered by RUS to the Borrower.
- ⁴For each Advance, insert the "RUS Account Number" for the respective Advance as specified in the most recent billing notice delivered by RUS to the Borrower.
- ⁵For each Advance, insert the date on which FFB made the respective Advance to the Borrower.
- ⁶For each Advance, insert the original principal amount of the respective Advance that FFB made to the Borrower (or that the Borrower assumed).
- ⁷For each Advance, insert the "Outstanding Principal Amount" of the respective Advance as of the day before the Intended Refinancing Date (i.e., the outstanding principal amount of such Advance before the Borrower pays the "Principal Installment Due" for such Advance inserted by the Borrower in Part 2.
- ⁸Insert the particular calendar date that the Borrower selects to be the date on which the Borrower intends to refinance the Advances specified in Part 1. This date (a) must be the last day of a calendar quarter, and (b) with respect to any Advance for which the Borrower has selected a fixed premium prepayment/refinancing privilege that includes a 5-year period during which such Advance shall not be eligible for any prepayment or refinancing, may not be a date that will occur before the expiration of such 5-year no-call period.
- ⁹Complete 1 line in Part 2 for each Advance identified in Part 1.
- ¹⁰For each Advance, insert the "Principal Installment Due" for the respective Advance on the Intended Refinancing Date as specified in the most recent billing notice delivered by RUS to the Borrower.
- ¹¹The Borrower has the option of making an additional payment of principal on the Intended Refinancing Date without any additional premium being charged for such additional payment of principal. For each Advance, insert the amount of any optional additional principal payment that will be paid on the Intended Refinancing Date.
- ¹²For each Advance, insert the total amount of principal that will be paid on the Intended Refinancing Date. That amount must be equal to the sum of the "Principal Installment Due" for the respective Advance inserted by the Borrower in Part 2 and any amount inserted by the Borrower as an "Optional Additional Principal Payment."
- ¹³Complete 1 line in Part 3 for each Advance.
- ¹⁴For each Advance, insert the amount of principal that is to be refinanced. That amount must equal the difference between the "Outstanding Principal Amount" for the respective Advance inserted by the Borrower in Part 1 and the "Total Amount of Principal to Be Paid" for such Advance inserted by the Borrower in Part 2.

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

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

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

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

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

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

Part 1:

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

Part 2:

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

Part 3:

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