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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

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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

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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.

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(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.

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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

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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.

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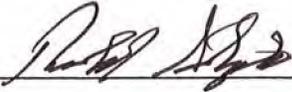
IN WITNESS WHEREOF, the Borrower has caused this Note to be signed in its corporate name and its corporate seal to be hereunder affixed and attested by its officers thereunto duly authorized, all as of the day and year first above written.

**SOUTH KENTUCKY RURAL ELECTRIC
COOPERATIVE CORPORATION**

(name of Borrower)

BY:

Signature:



Print Name:

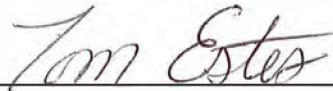
Richard G. Stephens

Title:

Chairman

ATTEST:

Signature:



(SEAL)

Print Name:

Tom Estes

Title:

Secretary

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RUS

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 **March 1, 2011**, made by **SOUTH KENTUCKY RURAL ELECTRIC 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: _____

RJS

ANNEX A
TO
NEW LOAN NOTE

FORM
OF
ADVANCE REQUEST
(RUS APPROVAL REQUIRED)

(10-01)

RUS

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

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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

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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

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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

"F" for the "fixed premium" privilege

o No-Call Period Option Election:

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

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

"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

"V" for 5% premium declining over 5 years

"P" for par (no premium)

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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: _____

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RUS

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.

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ANNEX B-1

TO

NEW LOAN NOTE

FORM

OF

MATURITY EXTENSION ELECTION NOTICE

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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

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MATURITY EXTENSION ELECTION NOTICE

Manager
Federal Financing Bank

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

Name of Borrower (the "Borrower"):

FFB Note Identifier:

RUS Note Number:

Part 1 (To be completed by RUS):

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

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

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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 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"/> |

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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

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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

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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.

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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)

(10-01)

RUS

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

RUS

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MATURITY EXTENSION ELECTION NOTICE

Manager
Federal Financing Bank

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

Name of Borrower (the "Borrower"):

FFB Note Identifier:

RUS Note Number:

Part 1 (To be completed by RUS):

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

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

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RUS

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 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"/> |

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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: _____

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RUS

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

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RUS

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.

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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"/> |

RUS

ANNEX C-1

TO

NEW LOAN NOTE

FORM

OF

PREPAYMENT ELECTION NOTICE

SPECIFIED PRINCIPAL AMOUNT(S)

(RUS APPROVAL REQUIRED)

(10-01)

RUS

**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

(10-01)

RUS

**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> |
|---|---|--|--|---|
| _____ | _____ | _____ | \$ _____ | \$ _____ |
| _____ | _____ | _____ | \$ _____ | \$ _____ |
| _____ | _____ | _____ | \$ _____ | \$ _____ |

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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 IDENTIFIER⁹</u> | <u>PRINCIPAL INSTALLMENT DUE (if any)¹⁰</u> | <u>AMOUNT OF PRINCIPAL TO BE PREPAID¹¹</u> | <u>TOTAL AMOUNT OF PRINCIPAL TO BE PAID¹²</u> |
|---|--|---|--|
| _____ | \$ _____ | \$ _____ | \$ _____ |
| _____ | \$ _____ | \$ _____ | \$ _____ |
| _____ | \$ _____ | \$ _____ | \$ _____ |

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

(Name of Borrower)

By: _____

Name: _____

Title: _____

Date: _____

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RUS

**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).

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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.

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RUS

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)

(10-01)

**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

(10-01)

RUS

**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

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RJS

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:

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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: _____

(10-01)

**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).

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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.

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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

(10-01)

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

(10-01)

RUS

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

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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 IDENTIFIER⁹</u> | <u>PRINCIPAL INSTALLMENT DUE¹⁰</u> | <u>OPTIONAL ADDITIONAL PRINCIPAL PAYMENT¹¹</u> | <u>TOTAL AMOUNT OF PRINCIPAL TO BE PAID¹²</u> |
|---|---|---|--|
| _____ | \$ _____ | \$ _____ | \$ _____ |
| _____ | \$ _____ | \$ _____ | \$ _____ |
| _____ | \$ _____ | \$ _____ | \$ _____ |

Part 3:

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

| <u>FFB ADVANCE IDENTIFIER¹³</u> | <u>AMOUNT OF PRINCIPAL TO BE REFINANCED¹⁴</u> | <u>NEW MATURITY DATE¹⁵</u> | <u>PRINCIPAL REPAYMENT METHOD¹⁶</u> | <u>TYPE OF PREPAY'T/ REFINAN'G PRIVILEGE¹⁷</u> | <u>5-YEAR NO-CALL PERIOD¹⁸</u> | <u>PREMIUM OPTION¹⁹</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"/> |

(10-01)

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

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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"),

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RJS

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.

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

Part 1:

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

Part 2:

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

Part 3:

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

ANNEX D-2

TO

NEW LOAN NOTE

FORM

OF

REFINANCING ELECTION NOTICE

(RUS APPROVAL REQUIRED)

(10-01)

**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

(10-01)

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

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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"/> |

(10-01)

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: _____

(10-01)

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.

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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.

¹⁷Select 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.

¹⁸Select 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.

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

Part 1:

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

Part 2:

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

Part 3:

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

(FFB-REIM.NTE)
5/97

Kentucky 54-BC8 Wayne

FFB Note Identifier:

RUS Note Identifier:

Somerset, Kentucky
March 1, 2011

REIMBURSEMENT NOTE

SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION (the "Borrower"), which term includes any successors or assigns, a corporation organized and existing under the laws of the Commonwealth of Kentucky, for value received, promises to pay on demand to the UNITED STATES OF AMERICA (the "Government"), acting through the Administrator of the Rural Utilities Service ("RUS"), at the United States Treasury, Washington, D.C., a sum equal to:

(1) all amounts, including, without limitation, principal and interest (the "Reimbursed Amount"), paid by the Government from time to time pursuant to that certain guarantee by RUS (the "RUS Guarantee"), made by RUS to the Federal Financing Bank ("FFB") of amounts payable to FFB under a note dated March 1, 2011, made by the Borrower payable to FFB and guaranteed by RUS (the "FFB Note") pursuant to the Rural Electrification Act of 1936, as amended (7 U.S.C. 901 *et seq.*), Section 6 of the Federal Financing Bank Act of 1973 (12 U.S.C. § 2285), and the Note Purchase Commitment and Servicing Agreement, as amended and as it may be amended, supplemented, or restated from time to time, dated as of January 1, 1992, between FFB and RUS (all such amounts hereinafter collectively called the "Principal Amount"), and

(2) with interest on the Principal Amount from the respective date of such payment by RUS to FFB, at the Late Charge Rate as that term is defined in the FFB Note, and

(3) administrative costs and penalty charges assessed in accordance with applicable regulations, and

(4) any and all costs and expenses incurred in connection with the exercise of rights or the enforcement of remedies, as set forth in the Security Instrument, as hereinafter defined.

The obligations of the Borrower hereunder are absolute and unconditional, irrespective of any defense or any right to set off, recoupment or counterclaim it might otherwise have against the Government.

So long as FFB has received all amounts then due to it under the RUS Guarantee, the Borrower agrees to pay all amounts due on this Note directly to RUS. Nothing herein shall

limit the Government's rights of subrogation which may arise as a result of payments made by RUS pursuant to the RUS Guarantee.

This Note is one of several notes permitted to be executed and delivered by, and is entitled to the benefits and security of, the Restated Mortgage and Security Agreement, dated as of September 1, 2005, made by and among the Borrower, the Government and National Rural Utilities Cooperative Finance Corporation, as it may have heretofore been, or as it may hereinafter be, amended, supplemented, restated, or consolidated from time to time in accordance with its terms, being, collectively, the Security Instrument (the "Security Instrument"). The Security Instrument provides that all notes shall be equally and ratably secured thereby and reference is hereby made to the Security Instrument for a description of the property pledged, the nature and extent of the security and the rights, powers, privileges, and remedies of, the holders of notes with respect thereto.

Neither the execution and delivery of this Note by the Borrower to the Government, nor the failure of the Government to exercise any of its rights, powers, privileges or remedies under the Security Instrument shall be deemed to be a waiver of any right, power, privilege or remedy of the Government, as a holder of this Note, under the Security Instrument.

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

SOUTH KENTUCKY RURAL ELECTRIC
COOPERATIVE CORPORATION

By: 

Name: Richard G. Stephens

Title: Chairman

(Seal)

Attest: 
Tom Estes
Secretary

RUS Project Designation:
KENTUCKY 54-BC8 WAYNE

RUS LOAN CONTRACT

An Agreement Made By And Between
SOUTH KENTUCKY RURAL ELECTRIC
COOPERATIVE CORPORATION,

as Borrower

and

UNITED STATES OF AMERICA,

as Lender

Dated as of March 1, 2011

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

RUS LOAN CONTRACT

AGREEMENT, dated as of March 1, 2011, between SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION ("Borrower"), a corporation organized and existing under the laws of the Commonwealth of Kentucky (the "State"), and the UNITED STATES OF AMERICA, acting by and through the Administrator of the Rural Utilities Service ("RUS").

RECITALS

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

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

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

ARTICLE I

DEFINITIONS

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

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

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

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

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

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

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

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

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

authority or a wholesale power cost adjustment clause or similar power pricing agreement between the Borrower and a power supplier.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

where:

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

A = Depreciation and Amortization Expense of the Electric System;

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

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

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

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

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

where:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

ARTICLE II

REPRESENTATIONS AND WARRANTIES

Section 2.1. Representations and Warranties.

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

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

which the Borrower is a party or by which it may be bound.

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

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

ARTICLE III

LOAN

Section 3.1. Advances.

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

Section 3.2. Interest Rate and Payment.

Each Note shall be payable and bear interest as follows:

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

Section 3.3. Prepayment.

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

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

ARTICLE IV

CONDITIONS OF LENDING

Section 4.1. General Conditions.

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

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

the Act.

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

Section 4.2. Special Conditions.

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

ARTICLE V

AFFIRMATIVE COVENANTS

Section 5.1. Generally.

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

Section 5.2. Annual Certificates.

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

General Manager, stating that during such year the Borrower has fulfilled all of its obligations under the Loan Documents throughout such year in all material respects or, if there has been a default in the fulfillment of any such obligations, specifying each such default known to said person and the nature and status thereof.

Section 5.3. Simultaneous Prepayment of Contemporaneous Loans.

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

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

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

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

| | |
|---------|------|
| TIER = | 1.25 |
| DSC = | 1.25 |
| OTIER = | 1.1 |
| ODSC = | 1.1 |

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

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

Section 5.5. Depreciation Rates.

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

Section 5.6. Property Maintenance.

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

Section 5.7. Financial Books.

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

Section 5.8. Rights of Inspection.

The Borrower shall afford RUS, through its representatives, reasonable opportunity, at all times during business hours and upon prior notice, to have access to and the right to inspect the Utility System, any other property encumbered by the Mortgage, and any or all books, records, accounts, invoices, contracts, leases, payrolls, canceled checks, statements and other documents and papers of every kind belonging to or in the possession of the Borrower or in anyway pertaining to its property or business, including its Subsidiaries, if any, and to make copies or extracts therefrom.

Section 5.9. Area Coverage.

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

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

Section 5.10. Real Property Acquisition.

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

Section 5.11. "Buy American" Requirements.

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

Section 5.12. Power Requirements Studies.

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

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

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

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

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

Section 5.15. Plans and Specifications.

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

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

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

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

Section 5.17. Contract Bidding Requirements.

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

Section 5.18. Nondiscrimination.

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

Section 5.19. Financial Reports.

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

Section 5.20. Miscellaneous Reports and Notices.

The Borrower shall furnish to RUS:

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

Section 5.21. Special Construction Account.

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

Section 5.22. Additional Affirmative Covenants.

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

ARTICLE VI

NEGATIVE COVENANTS

Section 6.1. General.

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

Section 6.2. Limitations on System Extensions and Additions.

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

Section 6.3. Limitations on Changing Principal Place of Business.

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

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

Section 6.4. Limitations on Employment and Retention of Manager.

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

Section 6.5. Limitations on Certain Types of Contracts.

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

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

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

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

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

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

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

Section 6.8. Limitation on Distributions.

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

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

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

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

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

Section 6.10. Depreciation Rates.

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

Section 6.11. Historic Preservation.

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

Section 6.12. Rate Reductions.

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

Section 6.13. Limitations on Additional Indebtedness.

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

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

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

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

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

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

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

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

Section 6.15. Impairment of Contracts Pledged to RUS.

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

Section 6.16. Notice of Organizational Changes.

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

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

Section 6.17. Consent for Organizational Changes.

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

Section 6.18. Additional Negative Covenants.

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

ARTICLE VII

EVENTS OF DEFAULT

Section 7.1. Events of Default.

The following shall be Events of Default under this Agreement:

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

construed to include the cessation of the corporate existence of the Borrower resulting either from a merger or consolidation of the Borrower into or with another corporation following a transfer of all or substantially all its assets as an entirety, under the conditions permitting such actions.

ARTICLE VIII

REMEDIES

Section 8.1. Generally.

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

Section 8.2. Suspension of Advances.

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

ARTICLE IX

MISCELLANEOUS

Section 9.1. Notices.

All notices, requests and other communications provided for herein including, without limitation, any modifications of, or waivers, requests or consents under, this Agreement shall be given or made in writing (including, without limitation, by telecopy) and delivered to the intended recipient at the "Address for Notices" specified below; or, as to any party, at such other address as shall be designated by such party in a notice to each other party. Except as otherwise provided in this Agreement, all such communications shall be deemed to have been duly given when transmitted by telecopier or personally delivered or, in the case of a mailed notice, upon receipt, in each case given or addressed as provided for herein. The Address for Notices of the respective parties are set forth in Schedule 1 hereto.

Section 9.2. Expenses.

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

enforcement may be necessary.

Section 9.3. Late Payments.

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

Section 9.4. Filing Fees.

To the extent permitted by law, the Borrower agrees to pay all expenses of RUS (including the fees and expenses of its counsel) in connection with the filing or recordation of all financing statements and instruments as may be required by RUS in connection with this Agreement, including, without limitation, all documentary stamps, recordation and transfer taxes and other costs and taxes incident to recordation of any document or instrument in connection herewith. Borrower agrees to save harmless and indemnify RUS from and against any liability resulting from the failure to pay any required documentary stamps, recordation and transfer taxes, recording costs, or any other expenses incurred by RUS in connection with this Agreement. The provisions of this subsection shall survive the execution and delivery of this Agreement and the payment of all other amounts due hereunder or due on the Note.

Section 9.5. No Waiver.

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

Section 9.6. Governing Law.

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

Section 9.7. Holiday Payments.

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

Section 9.8. Rescission.

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

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

Section 9.9. Successors and Assigns.

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

Section 9.10. Complete Agreement; Waivers and Amendments.

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

Section 9.11. Headings.

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

Section 9.12. Severability.

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

Section 9.13. Right of Setoff.

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

Section 9.14. Schedules and Exhibits.

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

Section 9.15. Prior Loan Contracts.

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

Section 9.16. Authority of Representatives of RUS.

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

Section 9.17. Term.

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

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

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

SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE
CORPORATION

by , Chairman
Richard G. Stephens

(Seal)

Attest: 
Tom Estes
Secretary

Section 9.15. Prior Loan Contracts.

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

Section 9.16. Authority of Representatives of RUS.

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

Section 9.17. Term.

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

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

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

SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE
CORPORATION

by _____, Chairman

(Seal)

Attest:

Secretary

UNITED STATES OF AMERICA

by


for Administrator
of the
Rural Utilities Service

RUS LOAN CONTRACT SCHEDULE 1

1. The purpose of this loan is to finance construction of distribution facilities and such other purposes that RUS may agree to in writing in order to carry out the purposes of the Act.
2. The Mortgage shall mean the Restated Mortgage and Security Agreement, dated as of September 1, 2005, among the Borrower, RUS and National Rural Utilities Cooperative Finance Corporation, as it may have been or shall be supplemented, amended, consolidated, or restated from time to time.
3. The governmental authority referred to in Section 2.1(c) is **Not Applicable**.
4. The date of the Borrower's financial information referred to in Section 2.1(h) is April 30, 2010.
5. The principal place of business and mailing address of the Borrower referred to in Section 2.1(i) is 925 North Main Street, Somerset, Kentucky 42503-1575.
6. All of the property of the Borrower is located in the Counties of Adair, Casey, Clinton, Cumberland, Laurel, Lincoln, McCreary, Pulaski, Rockcastle, Russell and Wayne in the Commonwealth of Kentucky, and the Counties of Pickett and Scott in the State of Tennessee.
7. The subsidiary referred to in Section 2.1(k) is South Kentucky Services Corporation.
8. The Contemporaneous Loan referred to in Section 5.3 is described as follows:

None.
9. The RUS Commitment referred to in the definitions means a loan in the principal amount of \$51,000,000.00, which is being made to South Kentucky Rural Electric Cooperative Corporation by the Federal Financing Bank (FFB) and guaranteed as to payment by RUS, pursuant to the Rural Electrification Act and RUS Regulations.
10. Amortization of Advance shall be based upon the method for the repayment of principal for an Advance selected for such Advance, in accordance with that certain note, dated as of even date herewith, evidencing the RUS-guaranteed FFB loan.
11. The SPECIAL condition referred to in Section 4.2 is as follows:

The Borrower has duly authorized, executed, and has delivered to the Administrator of RUS, the note (the "FFB Note"), dated March 1, 2011, evidencing the loan made by FFB to the Borrower, within ninety (90) days of the date of the certain designation notice committing FFB to purchase the FFB Note (the "Designation Notice"), in the manner prescribed in the Designation Notice and has satisfied all the conditions set forth in the Designation Notice.
12. The additional AFFIRMATIVE covenants referred to in Section 5.22 are as follows:

None.
13. The additional NEGATIVE covenants referred to in Section 6.16 are as follows:

None.

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

RUS

Rural Utilities Service
U.S. Department of Agriculture
Washington, DC 20250-1500
Attention: Administrator
Fax: (202) 720-0498

BORROWER

South Kentucky Rural Electric
Cooperative Corporation
925 North Main Street
Somerset, Kentucky 42503-1575
Fax: (606) 679-8279

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

None.

16. The organizational identification number of the Borrower referred to in Section 2.1(m) is 0047666.

EXHIBIT A

FORMS OF PROMISSORY AND REIMBURSEMENT NOTES

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

- 1 FFB Promissory Note
- 2 FFB Reimbursement Note

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RUS

| |
|---|
| <p>FOR FFB USE ONLY:</p> <p>Note Identifier: _____</p> <p>Purchase Date: _____</p> |
|---|

Last Day for an Advance (¶3) March 1, 2016

Maximum Principal Amount (¶4) \$51,000,000

Final Maturity Date (¶5) December 31, 2045

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

| |
|---|
| <p>FOR RUS USE ONLY:</p> <p>RUS Note Number: _____</p> |
|---|

Security Instrument (¶24) Restated Mortgage and Security Agreement, dated as of September 1, 2005, made by and among South Kentucky Rural Electric Cooperative Corporation, United States of America and National Rural Utilities Cooperative Finance Corporation (Kentucky 54-BC8 Wayne)

Note Date March 1, 2011

Place of Issue Somerset, Kentucky

FUTURE ADVANCE PROMISSORY NOTE

1. Promise to Pay.

FOR VALUE RECEIVED,

SOUTH KENTUCKY RURAL ELECTRIC 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

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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;

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(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."

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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.

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(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

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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

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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.

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(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

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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

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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.

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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:

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(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

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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

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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

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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

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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.

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(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.

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(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

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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

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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,

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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

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(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

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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.

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(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

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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

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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

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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

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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

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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

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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.

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RUS

(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.

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RUS

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

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RUS

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.

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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.

**SOUTH KENTUCKY RURAL ELECTRIC
COOPERATIVE CORPORATION**

(name of Borrower)

BY:

Signature: SAMPLE - NOT FOR EXECUTION

Print Name: _____

Title: Chairman

ATTEST:

(SEAL)

Signature: _____

Print Name: _____

Title: Secretary

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RUS

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 **March 1, 2011**, made by **SOUTH KENTUCKY RURAL ELECTRIC 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: _____

RUS GUARANTEE (New Loan Note or Substitution Note)

RJS

ANNEX A

TO

NEW LOAN NOTE

FORM

OF

ADVANCE REQUEST

(RUS APPROVAL REQUIRED)

(10-01)

RUS

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

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RUS

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

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RUS

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

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RUS

6. Prepayment/Refinancing Privilege:

[ELECT 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:

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

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

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

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)

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RUS

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: _____

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RUS

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.

RJS

ANNEX B-1
TO
NEW LOAN NOTE

FORM
OF
MATURITY EXTENSION ELECTION NOTICE

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RUS

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

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MATURITY EXTENSION ELECTION NOTICE

Manager
Federal Financing Bank

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

Name of Borrower (the "Borrower"):

FFB Note Identifier:

RUS Note Number:

Part 1 (To be completed by RUS):

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

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

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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 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"/> |

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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 I OF THIS FORM EXTENDED AUTOMATICALLY TO THE IMMEDIATELY FOLLOWING QUARTERLY PAYMENT DATE, AND (2) IF THE MATURITY DATE SPECIFIED IN PART I OF THIS FORM WILL OCCUR ON OR AFTER THE "FIRST PRINCIPAL PAYMENT DATE" SPECIFIED ON PAGE I 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 I OF THIS FORM WILL BE EXTENDED AUTOMATICALLY TO THE IMMEDIATELY FOLLOWING QUARTERLY PAYMENT DATE, AND (2) IF THE MATURITY DATE SPECIFIED IN PART I OF THIS FORM WILL OCCUR ON OR AFTER THE "FIRST PRINCIPAL PAYMENT DATE" SPECIFIED ON PAGE I 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

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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

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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.

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RUS

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"/> |

RIJS

ANNEX B-2

TO

NEW LOAN NOTE

FORM

OF

MATURITY EXTENSION ELECTION NOTICE

(RUS APPROVAL REQUIRED)

(10-01)

RUS

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

(10-01)

RUS

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> |
|---------------------------------------|-----------------------------------|--------------------------------------|--|---|--|
| _____ | _____ | _____ | \$ _____ | \$ _____ | \$ _____ |
| _____ | _____ | _____ | \$ _____ | \$ _____ | \$ _____ |
| _____ | _____ | _____ | \$ _____ | \$ _____ | \$ _____ |
| _____ | _____ | _____ | \$ _____ | \$ _____ | \$ _____ |

(10-01)

RUS

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 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"/> |

(10-01)

RUS

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: _____

(10-01)

RUS

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

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RUS

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.

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RUS

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"/> |

RUS

ANNEX C-1

TO

NEW LOAN NOTE

FORM

OF

PREPAYMENT ELECTION NOTICE

SPECIFIED PRINCIPAL AMOUNT(S)

(RUS APPROVAL REQUIRED)

(10-01)

RUS

**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

(10-01)

RUS

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> |
|---|---|--|--|---|
| _____ | _____ | _____ | \$ _____ | \$ _____ |
| _____ | _____ | _____ | \$ _____ | \$ _____ |
| _____ | _____ | _____ | \$ _____ | \$ _____ |

(10-01)

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 IDENTIFIER⁹</u> | <u>PRINCIPAL INSTALLMENT DUE (if any)¹⁰</u> | <u>AMOUNT OF PRINCIPAL TO BE PREPAID¹¹</u> | <u>TOTAL AMOUNT OF PRINCIPAL TO BE PAID¹²</u> |
|---|--|---|--|
| _____ | \$ _____ | \$ _____ | \$ _____ |
| _____ | \$ _____ | \$ _____ | \$ _____ |
| _____ | \$ _____ | \$ _____ | \$ _____ |

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

(Name of Borrower)

By: _____

Name: _____

Title: _____

Date: _____

(10-01)

RUS

**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).

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RUS

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.

RUS

(10-01)

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> |
|---------------------------------------|---|--|---|
| _____ | \$ _____ | \$ _____ | \$ _____ |
| _____ | \$ _____ | \$ _____ | \$ _____ |
| _____ | \$ _____ | \$ _____ | \$ _____ |
| _____ | \$ _____ | \$ _____ | \$ _____ |
| _____ | \$ _____ | \$ _____ | \$ _____ |
| _____ | \$ _____ | \$ _____ | \$ _____ |

RJS

ANNEX C-2
TO
NEW LOAN NOTE

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

(10-01)

RJS

**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

(10-01)

RUS

**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

(10-01)

RUS

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: _____

(10-01)

RUS

**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).

(10-01)

RJS

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.

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RUS

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

(10-01)

RUS

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

(10-01)

RUS

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

(10-01)

RIJS

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"/> |

(10-01)

RUS

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

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RUS

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.

¹⁷Select 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.

¹⁸Select 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"),

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RJS

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.

(10-01)

RUS

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

Part 1:

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

Part 2:

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

Part 3:

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

RJS

ANNEX D-2
TO
NEW LOAN NOTE

FORM
OF
REFINANCING ELECTION NOTICE
(RUS APPROVAL REQUIRED)

(10-01)

RUS

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

(10-01)

RUS

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

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RUS

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"/> |

(10-01)

RUS

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: _____

(10-01)

RUS

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 refinancing 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.

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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.

¹⁷Select 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.

¹⁸Select 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.

(10-01)

RUS

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

Part 1:

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

Part 2:

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

Part 3:

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

(FFB-REIM.NTE)
5/97

Kentucky 54-BC8 Wayne

FFB Note Identifier:

RUS Note Identifier:

Somerset, Kentucky
March 1, 2011

REIMBURSEMENT NOTE

SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION (the "Borrower"), which term includes any successors or assigns, a corporation organized and existing under the laws of the Commonwealth of Kentucky, for value received, promises to pay on demand to the UNITED STATES OF AMERICA (the "Government"), acting through the Administrator of the Rural Utilities Service ("RUS"), at the United States Treasury, Washington, D.C., a sum equal to:

(1) all amounts, including, without limitation, principal and interest (the "Reimbursed Amount"), paid by the Government from time to time pursuant to that certain guarantee by RUS (the "RUS Guarantee"), made by RUS to the Federal Financing Bank ("FFB") of amounts payable to FFB under a note dated March 1, 2011, made by the Borrower payable to FFB and guaranteed by RUS (the "FFB Note") pursuant to the Rural Electrification Act of 1936, as amended (7 U.S.C. 901 et seq.), Section 6 of the Federal Financing Bank Act of 1973 (12 U.S.C. § 2285), and the Note Purchase Commitment and Servicing Agreement, as amended and as it may be amended, supplemented, or restated from time to time, dated as of January 1, 1992, between FFB and RUS (all such amounts hereinafter collectively called the "Principal Amount"), and

(2) with interest on the Principal Amount from the respective date of such payment by RUS to FFB, at the Late Charge Rate as that term is defined in the FFB Note, and

(3) administrative costs and penalty charges assessed in accordance with applicable regulations, and

(4) any and all costs and expenses incurred in connection with the exercise of rights or the enforcement of remedies, as set forth in the Security Instrument, as hereinafter defined.

The obligations of the Borrower hereunder are absolute and unconditional, irrespective of any defense or any right to set off, recoupment or counterclaim it might otherwise have against the Government.

So long as FFB has received all amounts then due to it under the RUS Guarantee, the Borrower agrees to pay all amounts due on this Note directly to RUS. Nothing herein shall

limit the Government's rights of subrogation which may arise as a result of payments made by RUS pursuant to the RUS Guarantee.

This Note is one of several notes permitted to be executed and delivered by, and is entitled to the benefits and security of, the Restated Mortgage and Security Agreement, dated as of September 1, 2005, made by and among the Borrower, the Government and National Rural Utilities Cooperative Finance Corporation, as it may have heretofore been, or as it may hereinafter be, amended, supplemented, restated, or consolidated from time to time in accordance with its terms, being, collectively, the Security Instrument (the "Security Instrument"). The Security Instrument provides that all notes shall be equally and ratably secured thereby and reference is hereby made to the Security Instrument for a description of the property pledged, the nature and extent of the security and the rights, powers, privileges, and remedies of, the holders of notes with respect thereto.

Neither the execution and delivery of this Note by the Borrower to the Government, nor the failure of the Government to exercise any of its rights, powers, privileges or remedies under the Security Instrument shall be deemed to be a waiver of any right, power, privilege or remedy of the Government, as a holder of this Note, under the Security Instrument.

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

SOUTH KENTUCKY RURAL ELECTRIC
COOPERATIVE CORPORATION

By: SAMPLE - NOT FOR EXECUTION

Name: _____

Title: _____

(Seal)

Attest:

Secretary

EXHIBIT B

EQUAL OPPORTUNITY CONTRACT PROVISIONS

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

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

EXHIBIT C-1

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

On behalf of _____
Name of Borrower

I hereby certify that the Additional Note or Notes to be issued under Section 2.01 of the Mortgage on or about _____ meet all of the requirements of _____
Date Note or Notes are to be Signed
Section 6.14 of the Loan Contract, namely:

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

SAMPLE - NOT FOR EXECUTION

Signed Date

Name

Title

Name and Address of Borrower:

EXHIBIT C-2

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

On behalf of _____

Name of Borrower

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

Date Note or Notes are to be Signed

of the Loan Contract that the weighted average life of such Notes is not greater than the weighted average remaining life of the Notes being refinanced, as evidenced by the attached calculation of said weighted average lives.

SAMPLE - NOT FOR EXECUTION

Signed

Date

Name

Title

Name and Address of Borrower:

SECRETARY'S CERTIFICATE

I, Tom Estes, do hereby certify that: I am the secretary of South Kentucky Rural Electric Cooperative Corporation (hereinafter called the "Corporation"), the following are true and correct copies of resolutions duly adopted by the Board of Directors of the Corporation at the regular meeting held June 17, 2010, and entered in the minute book of the Corporation; the meeting was duly and regularly called and held in accordance with the bylaws of the Corporation; the attached forms of RUS Loan Contract, FFB Note and Reimbursement Note are true and exact copies of the forms thereof authorized and approved by the Board of Directors to be executed, and none of the following resolutions has been rescinded or modified:

RESOLUTIONS

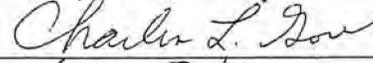
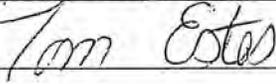
1. RESOLVED that the Corporation borrow from the Federal Financing Bank ("FFB") an amount not to exceed \$51,000,000.00, to be guaranteed by the United States of America (the "Government"), acting through the Administrator of the Rural Utilities Service ("RUS"); and
2. RESOLVED that the Corporation accept the terms and conditions which the Administrator of RUS has established for obtaining its guarantee of the FFB loan, as such terms and conditions are set forth; and
3. RESOLVED that the Chairman is authorized on behalf of the Corporation to execute and deliver under its corporate seal, which the secretary is directed to affix and attest:
 - (a) as many counterparts respectively as shall be deemed advisable of an agreement with the Government, in the form of the RUS Loan Contract submitted to this meeting; and
 - (b) a note payable to FFB and guaranteed by RUS in the principal amount of \$51,000,000.00, substantially in the form of the FFB note submitted to this meeting; and
 - (c) the note payable to the Government, acting through the Administrator of RUS, substantially in the form of the Reimbursement Note submitted to this meeting; and
4. RESOLVED that the officers of the Corporation be, and each of them is authorized in the name and on behalf of the Corporation, to execute all such instruments, make all such payments and do all such other acts as in the opinion of the officer or officers acting may be necessary or appropriate in order to carry out the purposes and intent of the foregoing resolutions; and

5. RESOLVED that the Chairman, and any official authorized to act in such corporate position and to perform the functions of such position is authorized on behalf of the Borrower (a) to execute and deliver from time to time advance requests, maturity extension election notices, prepayment election notices and refinancing election notices, in the form of such instruments attached to the note payable to FFB, and (b) to specify information and select options as provided in such instruments.

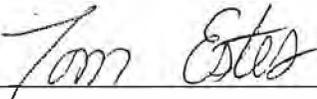
I FURTHER CERTIFY THAT each member of the Board of Directors of the Corporation was furnished with notice of said meeting in compliance with the bylaws of the Corporation.

I FURTHER CERTIFY THAT that the date of actual execution of the documents referred to above is April 16, 2011.

I FURTHER CERTIFY THAT the following are the names and signatures, respectively, of the officers of the Corporation identified below who validly held and occupied their respective positions on said date of actual execution of the documents.

| <u>Office</u> | <u>Name</u> | <u>Signature</u> |
|---------------|------------------|--|
| Chairman | Richard Stephens |  |
| Vice Chairman | Charles L. Gore |  |
| Secretary | Tom Estes |  |
| Treasurer | Tom Estes |  |

IN WITNESS WHEREOF I have hereunto set my hand and affixed the seal of the Corporation this 16th day of April, 2011



Secretary

(Corporate Seal)

This is the first loan draw on
the BDS work plan loan.

INTEREST RATE CONFIRMATION NOTICE

FO100

This notice is given to the addressee(s) listed on Schedule I attached hereto to confirm that an advance of funds ("this Advance") has been made by the Federal Financing Bank ("FFB") as described below:

1. This Advance was made on account of the following obligor to FFB:
South Kentucky Rural Electric Cooperative Corp.
2. This Advance was made under the following note or other obligation payable to FFB:
S-KENTKY 0005
3. The "Advance Identifier" assigned to this Advance for use in all communications to FFB making reference to this Advance is as follows:
S-KENTKY 0005 0001
4. This Advance was made in the following total amount:
\$2,000,000.00
5. This Advance was made on the following date:
August 25, 2017
6. This Advance matures on the following date:
January 03, 2051
7. The following interest rate is applicable to this Advance:
2.571%

The payment schedule for this Advance is attached to this notice as Schedule II.

FEDERAL FINANCING BANK

August 25, 2017

SCHEDULE II

Advance Identifier: S-KENTKY 0005 0001
 Date of Pricing: 08/25/2017
 Yield Curve Date: 08/24/2017
 Maturity Date: 01/03/2051
 FFB Rate: 2.571%
 Principal Amount: \$2,000,000.00

FO100

| Payment Date | Accrued Interest Due | Principal Due | Total Due | Principal Balance |
|--------------|----------------------|---------------|-------------|-------------------|
| | | | | \$2,000,000.00 |
| 10/02/2017 | \$5,353.32 | \$0.00 | \$5,353.32 | \$2,000,000.00 |
| 01/02/2018 | \$12,960.66 | \$0.00 | \$12,960.66 | \$2,000,000.00 |
| 04/02/2018 | \$12,678.90 | \$0.00 | \$12,678.90 | \$2,000,000.00 |
| 07/02/2018 | \$12,819.78 | \$0.00 | \$12,819.78 | \$2,000,000.00 |
| 10/01/2018 | \$12,819.78 | \$0.00 | \$12,819.78 | \$2,000,000.00 |
| 12/31/2018 | \$12,819.78 | \$10,036.11 | \$22,855.89 | \$1,989,963.89 |
| 04/01/2019 | \$12,755.45 | \$10,100.44 | \$22,855.89 | \$1,979,863.45 |
| 07/01/2019 | \$12,690.71 | \$10,165.18 | \$22,855.89 | \$1,969,698.27 |
| 09/30/2019 | \$12,625.55 | \$10,230.34 | \$22,855.89 | \$1,959,467.93 |
| 12/31/2019 | \$12,698.00 | \$10,157.89 | \$22,855.89 | \$1,949,310.04 |
| 03/31/2020 | \$12,460.72 | \$10,395.17 | \$22,855.89 | \$1,938,914.87 |
| 06/30/2020 | \$12,394.27 | \$10,461.62 | \$22,855.89 | \$1,928,453.25 |
| 09/30/2020 | \$12,462.87 | \$10,393.02 | \$22,855.89 | \$1,918,060.23 |
| 12/31/2020 | \$12,395.70 | \$10,460.19 | \$22,855.89 | \$1,907,600.04 |
| 03/31/2021 | \$12,093.14 | \$10,762.75 | \$22,855.89 | \$1,896,837.29 |
| 06/30/2021 | \$12,158.52 | \$10,697.37 | \$22,855.89 | \$1,886,139.92 |
| 09/30/2021 | \$12,222.81 | \$10,633.08 | \$22,855.89 | \$1,875,506.84 |
| 01/03/2022 | \$12,550.22 | \$10,305.67 | \$22,855.89 | \$1,865,201.17 |
| 03/31/2022 | \$11,430.21 | \$11,425.68 | \$22,855.89 | \$1,853,775.49 |
| 06/30/2022 | \$11,882.50 | \$10,973.39 | \$22,855.89 | \$1,842,802.10 |
| 09/30/2022 | \$11,941.96 | \$10,913.93 | \$22,855.89 | \$1,831,888.17 |
| 01/03/2023 | \$12,258.34 | \$10,597.55 | \$22,855.89 | \$1,821,290.62 |
| 03/31/2023 | \$11,161.12 | \$11,694.77 | \$22,855.89 | \$1,809,595.85 |
| 06/30/2023 | \$11,599.31 | \$11,256.58 | \$22,855.89 | \$1,798,339.27 |
| 10/02/2023 | \$11,907.17 | \$10,948.72 | \$22,855.89 | \$1,787,390.55 |
| 01/02/2024 | \$11,582.19 | \$11,273.70 | \$22,855.89 | \$1,776,116.85 |
| 04/01/2024 | \$11,228.84 | \$11,627.05 | \$22,855.89 | \$1,764,489.80 |
| 07/01/2024 | \$11,279.28 | \$11,576.61 | \$22,855.89 | \$1,752,913.19 |
| 09/30/2024 | \$11,205.28 | \$11,650.61 | \$22,855.89 | \$1,741,262.58 |
| 12/31/2024 | \$11,253.12 | \$11,602.77 | \$22,855.89 | \$1,729,659.81 |
| 03/31/2025 | \$10,965.10 | \$11,890.79 | \$22,855.89 | \$1,717,769.02 |
| 06/30/2025 | \$11,010.71 | \$11,845.18 | \$22,855.89 | \$1,705,923.84 |
| 09/30/2025 | \$11,054.95 | \$11,800.94 | \$22,855.89 | \$1,694,122.90 |
| 12/31/2025 | \$10,978.47 | \$11,877.42 | \$22,855.89 | \$1,682,245.48 |
| 03/31/2026 | \$10,664.51 | \$12,191.38 | \$22,855.89 | \$1,670,054.10 |
| 06/30/2026 | \$10,704.86 | \$12,151.03 | \$22,855.89 | \$1,657,903.07 |

| Payment Date | Accrued Interest Due | Principal Due | Total Due | Principal Balance |
|--------------|----------------------|---------------|-------------|-------------------|
| 09/30/2026 | \$10,743.76 | \$12,112.13 | \$22,855.89 | \$1,645,790.94 |
| 12/31/2026 | \$10,665.27 | \$12,190.62 | \$22,855.89 | \$1,633,600.32 |
| 03/31/2027 | \$10,356.13 | \$12,499.76 | \$22,855.89 | \$1,621,100.56 |
| 06/30/2027 | \$10,391.08 | \$12,464.81 | \$22,855.89 | \$1,608,635.75 |
| 09/30/2027 | \$10,424.49 | \$12,431.40 | \$22,855.89 | \$1,596,204.35 |
| 01/03/2028 | \$10,680.31 | \$12,175.58 | \$22,855.89 | \$1,584,028.77 |
| 03/31/2028 | \$9,791.89 | \$13,064.00 | \$22,855.89 | \$1,570,964.77 |
| 06/30/2028 | \$10,042.20 | \$12,813.69 | \$22,855.89 | \$1,558,151.08 |
| 10/02/2028 | \$10,288.65 | \$12,567.24 | \$22,855.89 | \$1,545,583.84 |
| 01/02/2029 | \$9,989.12 | \$12,866.77 | \$22,855.89 | \$1,532,717.07 |
| 04/02/2029 | \$9,716.59 | \$13,139.30 | \$22,855.89 | \$1,519,577.77 |
| 07/02/2029 | \$9,740.33 | \$13,115.56 | \$22,855.89 | \$1,506,462.21 |
| 10/01/2029 | \$9,656.26 | \$13,199.63 | \$22,855.89 | \$1,493,262.58 |
| 12/31/2029 | \$9,571.65 | \$13,284.24 | \$22,855.89 | \$1,479,978.34 |
| 04/01/2030 | \$9,486.50 | \$13,369.39 | \$22,855.89 | \$1,466,608.95 |
| 07/01/2030 | \$9,400.80 | \$13,455.09 | \$22,855.89 | \$1,453,153.86 |
| 09/30/2030 | \$9,314.56 | \$13,541.33 | \$22,855.89 | \$1,439,612.53 |
| 12/31/2030 | \$9,329.16 | \$13,526.73 | \$22,855.89 | \$1,426,085.80 |
| 03/31/2031 | \$9,040.60 | \$13,815.29 | \$22,855.89 | \$1,412,270.51 |
| 06/30/2031 | \$9,052.50 | \$13,803.39 | \$22,855.89 | \$1,398,467.12 |
| 09/30/2031 | \$9,062.53 | \$13,793.36 | \$22,855.89 | \$1,384,673.76 |
| 12/31/2031 | \$8,973.14 | \$13,882.75 | \$22,855.89 | \$1,370,791.01 |
| 03/31/2032 | \$8,762.61 | \$14,093.28 | \$22,855.89 | \$1,356,697.73 |
| 06/30/2032 | \$8,672.52 | \$14,183.37 | \$22,855.89 | \$1,342,514.36 |
| 09/30/2032 | \$8,676.16 | \$14,179.73 | \$22,855.89 | \$1,328,334.63 |
| 01/03/2033 | \$8,865.22 | \$13,990.67 | \$22,855.89 | \$1,314,343.96 |
| 03/31/2033 | \$8,054.48 | \$14,801.41 | \$22,855.89 | \$1,299,542.55 |
| 06/30/2033 | \$8,329.93 | \$14,525.96 | \$22,855.89 | \$1,285,016.59 |
| 09/30/2033 | \$8,327.33 | \$14,528.56 | \$22,855.89 | \$1,270,488.03 |
| 01/03/2034 | \$8,501.65 | \$14,354.24 | \$22,855.89 | \$1,256,133.79 |
| 03/31/2034 | \$7,697.76 | \$15,158.13 | \$22,855.89 | \$1,240,975.66 |
| 06/30/2034 | \$7,954.52 | \$14,901.37 | \$22,855.89 | \$1,226,074.29 |
| 10/02/2034 | \$8,118.09 | \$14,737.80 | \$22,855.89 | \$1,211,336.49 |
| 01/02/2035 | \$7,849.86 | \$15,006.03 | \$22,855.89 | \$1,196,330.46 |
| 04/02/2035 | \$7,584.08 | \$15,271.81 | \$22,855.89 | \$1,181,058.65 |
| 07/02/2035 | \$7,570.46 | \$15,285.43 | \$22,855.89 | \$1,165,773.22 |
| 10/01/2035 | \$7,472.48 | \$15,383.41 | \$22,855.89 | \$1,150,389.81 |
| 12/31/2035 | \$7,373.87 | \$15,482.02 | \$22,855.89 | \$1,134,907.79 |
| 03/31/2036 | \$7,254.76 | \$15,601.13 | \$22,855.89 | \$1,119,306.66 |
| 06/30/2036 | \$7,155.03 | \$15,700.86 | \$22,855.89 | \$1,103,605.80 |
| 09/30/2036 | \$7,132.19 | \$15,723.70 | \$22,855.89 | \$1,087,882.10 |
| 12/31/2036 | \$7,030.57 | \$15,825.32 | \$22,855.89 | \$1,072,056.78 |
| 03/31/2037 | \$6,796.25 | \$16,059.64 | \$22,855.89 | \$1,055,997.14 |
| 06/30/2037 | \$6,768.83 | \$16,087.06 | \$22,855.89 | \$1,039,910.08 |
| 09/30/2037 | \$6,738.96 | \$16,116.93 | \$22,855.89 | \$1,023,793.15 |
| 12/31/2037 | \$6,634.52 | \$16,221.37 | \$22,855.89 | \$1,007,571.78 |

| Payment Date | Accrued Interest Due | Principal Due | Total Due | Principal Balance |
|--------------|----------------------|---------------|-------------|-------------------|
| 03/31/2038 | \$6,387.45 | \$16,468.44 | \$22,855.89 | \$991,103.34 |
| 06/30/2038 | \$6,352.86 | \$16,503.03 | \$22,855.89 | \$974,600.31 |
| 09/30/2038 | \$6,315.73 | \$16,540.16 | \$22,855.89 | \$958,060.15 |
| 01/03/2039 | \$6,411.00 | \$16,444.89 | \$22,855.89 | \$941,615.26 |
| 03/31/2039 | \$5,770.35 | \$17,085.54 | \$22,855.89 | \$924,529.72 |
| 06/30/2039 | \$5,926.13 | \$16,929.76 | \$22,855.89 | \$907,599.96 |
| 09/30/2039 | \$5,881.55 | \$16,974.34 | \$22,855.89 | \$890,625.62 |
| 01/03/2040 | \$5,959.24 | \$16,896.65 | \$22,855.89 | \$873,728.97 |
| 04/02/2040 | \$5,523.83 | \$17,332.06 | \$22,855.89 | \$856,396.91 |
| 07/02/2040 | \$5,474.41 | \$17,381.48 | \$22,855.89 | \$839,015.43 |
| 10/01/2040 | \$5,363.30 | \$17,492.59 | \$22,855.89 | \$821,522.84 |
| 12/31/2040 | \$5,251.48 | \$17,604.41 | \$22,855.89 | \$803,918.43 |
| 04/01/2041 | \$5,153.03 | \$17,702.86 | \$22,855.89 | \$786,215.57 |
| 07/01/2041 | \$5,039.56 | \$17,816.33 | \$22,855.89 | \$768,399.24 |
| 09/30/2041 | \$4,925.35 | \$17,930.54 | \$22,855.89 | \$750,468.70 |
| 12/31/2041 | \$4,863.28 | \$17,992.61 | \$22,855.89 | \$732,476.09 |
| 03/31/2042 | \$4,643.50 | \$18,212.39 | \$22,855.89 | \$714,263.70 |
| 06/30/2042 | \$4,578.35 | \$18,277.54 | \$22,855.89 | \$695,986.16 |
| 09/30/2042 | \$4,510.22 | \$18,345.67 | \$22,855.89 | \$677,640.49 |
| 12/31/2042 | \$4,391.33 | \$18,464.56 | \$22,855.89 | \$659,175.93 |
| 03/31/2043 | \$4,178.81 | \$18,677.08 | \$22,855.89 | \$640,498.85 |
| 06/30/2043 | \$4,105.53 | \$18,750.36 | \$22,855.89 | \$621,748.49 |
| 09/30/2043 | \$4,029.13 | \$18,826.76 | \$22,855.89 | \$602,921.73 |
| 12/31/2043 | \$3,907.13 | \$18,948.76 | \$22,855.89 | \$583,972.97 |
| 03/31/2044 | \$3,732.98 | \$19,122.91 | \$22,855.89 | \$564,850.06 |
| 06/30/2044 | \$3,610.73 | \$19,245.16 | \$22,855.89 | \$545,604.90 |
| 09/30/2044 | \$3,526.04 | \$19,329.85 | \$22,855.89 | \$526,275.05 |
| 01/03/2045 | \$3,512.33 | \$19,343.56 | \$22,855.89 | \$506,931.49 |
| 03/31/2045 | \$3,106.55 | \$19,749.34 | \$22,855.89 | \$487,182.15 |
| 06/30/2045 | \$3,122.78 | \$19,733.11 | \$22,855.89 | \$467,449.04 |
| 10/02/2045 | \$3,095.08 | \$19,760.81 | \$22,855.89 | \$447,688.23 |
| 01/02/2046 | \$2,901.17 | \$19,954.72 | \$22,855.89 | \$427,733.51 |
| 04/02/2046 | \$2,711.60 | \$20,144.29 | \$22,855.89 | \$407,589.22 |
| 07/02/2046 | \$2,612.60 | \$20,243.29 | \$22,855.89 | \$387,345.93 |
| 10/01/2046 | \$2,482.84 | \$20,373.05 | \$22,855.89 | \$366,972.88 |
| 12/31/2046 | \$2,352.26 | \$20,503.63 | \$22,855.89 | \$346,469.25 |
| 04/01/2047 | \$2,220.83 | \$20,635.06 | \$22,855.89 | \$325,834.19 |
| 07/01/2047 | \$2,088.56 | \$20,767.33 | \$22,855.89 | \$305,066.86 |
| 09/30/2047 | \$1,955.45 | \$20,900.44 | \$22,855.89 | \$284,166.42 |
| 12/31/2047 | \$1,841.49 | \$21,014.40 | \$22,855.89 | \$263,152.02 |
| 03/31/2048 | \$1,682.17 | \$21,173.72 | \$22,855.89 | \$241,978.30 |
| 06/30/2048 | \$1,546.82 | \$21,309.07 | \$22,855.89 | \$220,669.23 |
| 09/30/2048 | \$1,426.10 | \$21,429.79 | \$22,855.89 | \$199,239.44 |
| 12/31/2048 | \$1,287.61 | \$21,568.28 | \$22,855.89 | \$177,671.16 |
| 03/31/2049 | \$1,126.34 | \$21,729.55 | \$22,855.89 | \$155,941.61 |
| 06/30/2049 | \$999.57 | \$21,856.32 | \$22,855.89 | \$134,085.29 |

| Payment Date | Accrued Interest Due | Principal Due | Total Due | Principal Balance |
|--------------|----------------------|----------------|----------------|-------------------|
| 09/30/2049 | \$868.92 | \$21,986.97 | \$22,855.89 | \$112,098.32 |
| 01/03/2050 | \$750.12 | \$22,105.77 | \$22,855.89 | \$89,992.55 |
| 03/31/2050 | \$551.49 | \$22,304.40 | \$22,855.89 | \$67,688.15 |
| 06/30/2050 | \$433.87 | \$22,422.02 | \$22,855.89 | \$45,266.13 |
| 09/30/2050 | \$293.34 | \$22,562.55 | \$22,855.89 | \$22,703.58 |
| 01/03/2051 | \$151.92 | \$22,703.58 | \$22,855.50 | \$0.00 |
| | ----- | ----- | ----- | |
| | \$1,005,041.86 | \$2,000,000.00 | \$3,005,041.86 | |

Department of the Treasury
Washington, DC 20220



Facsimile Transmission

To: S-KENTKY
Fax number: 6066798279

From: jou-chun.chen@treasury.gov
Date: and Time: Friday, August 25, 2017 10:26:40 A
Number of pages: 07
C.C.:

Subject: FFB Loan S-KENTKY 5 - 1 Interest Rate Confirmation Notice

NOTE:

THIS FACSIMILIE TRANSMISSION IS INTENDED ONLY FOR THE USE OF THE INDIVIDUAL OR ENTITY TO WHOM IT IS ADDRESSED AND MAY CONTAIN INFORMATION THAT IS PRIVILEGED, CONFIDENTIAL OR RESTRICTED AS TO OR EXEMPT FROM DISCLOSURE UNDER APPLICABLE LAWS. IF YOU ARE NOT THE INTENDED RECIPIENT OF THIS TRANSMISSION YOU SHOULD NOT READ THE ATTACH ED DOCUMENT. ANY DISSEMINATION, DISTRIBUTION, OR COPYING OF THE TRANSMISSION, EXCEPT INSOFAR AS NECESSARY TO COMPLETE DELIVERY TO THE INTENDED RECIPIENT IS STRICTLY PROHIBITED. IF YOU HAVE RECEIVED THIS TRANSMISSION BY ERROR, PLEASE NOTIFY THE SENDER IMMEDIATELY BY TELEPHONE TO RECEIVE INSTRUCTIONS REGARDING ITS RETURN OR DESTRUCTION. THANK YOU.

THE ATTACHED DOCUMENT IS
UNCLASSIFIED

SCHEDULE I

to

INTEREST RATE CONFIRMATION NOTICE
ADDRESSEE(S) OF NOTICE

Mr. Gregory Redmon, Chairman
South Kentucky Rural Electric Cooperative Corp.
P.O. Box 910
Somerset, KY 425020910

This is the second draw on
the BDR work plan.

INTEREST RATE CONFIRMATION NOTICE

FO105

This notice is given to the addressee(s) listed on Schedule I attached hereto to confirm that an advance of funds ("this Advance") has been made by the Federal Financing Bank ("FFB") as described below:

1. This Advance was made on account of the following obligor to FFB:
South Kentucky Rural Electric Cooperative Corp.
2. This Advance was made under the following note or other obligation payable to FFB:
S-KENTKY 0005
3. The "Advance Identifier" assigned to this Advance for use in all communications to FFB making reference to this Advance is as follows:
S-KENTKY 0005 0002
4. This Advance was made in the following total amount:
\$2,000,000.00
5. This Advance was made on the following date:
September 01, 2017
6. This Advance matures on the following date:
January 03, 2051
7. The following interest rate is applicable to this Advance:
2.513%

The payment schedule for this Advance is attached to this notice as Schedule II.

FEDERAL FINANCING BANK
September 01, 2017

SCHEDULE II

Advance Identifier: S-KENTKY 0005 0002
 Date of Pricing: 09/01/2017
 Yield Curve Date: 08/31/2017
 Maturity Date: 01/03/2051
 FFB Rate: 2.513%
 Principal Amount: \$2,000,000.00

FOLIOS

| Payment Date | Accrued Interest Due | Principal Due | Total Due | Principal Balance |
|--------------|----------------------|---------------|-------------|---------------------------|
| | | | | \$2,000,000.00 |
| 01/02/2018 | \$16,936.93 | \$0.00 | \$16,936.93 | \$2,000,000.00 |
| 04/02/2018 | \$12,392.88 | \$0.00 | \$12,392.88 | \$2,000,000.00 |
| 07/02/2018 | \$12,530.58 | \$0.00 | \$12,530.58 | \$2,000,000.00 |
| 10/01/2018 | \$12,530.58 | \$0.00 | \$12,530.58 | \$2,000,000.00 |
| 12/31/2018 | \$12,530.58 | \$10,140.63 | \$22,671.21 | \$1,989,859.37 |
| 04/01/2019 | \$12,467.04 | \$10,204.17 | \$22,671.21 | \$1,979,655.20 |
| 07/01/2019 | \$12,403.11 | \$10,268.10 | \$22,671.21 | \$1,969,387.10 |
| 09/30/2019 | \$12,338.78 | \$10,332.43 | \$22,671.21 | \$1,959,054.67 |
| 12/31/2019 | \$12,408.92 | \$10,262.29 | \$22,671.21 | \$1,948,792.38 |
| 03/31/2020 | \$12,176.38 | \$10,494.83 | \$22,671.21 | \$1,938,297.55 |
| 06/30/2020 | \$12,110.81 | \$10,560.40 | \$22,671.21 | \$1,927,737.15 |
| 09/30/2020 | \$12,177.19 | \$10,494.02 | \$22,671.21 | \$1,917,243.13 |
| 12/31/2020 | \$12,110.90 | \$10,560.31 | \$22,671.21 | \$1,906,682.82 |
| 03/31/2021 | \$11,814.64 | \$10,856.57 | \$22,671.21 | \$1,895,826.25 |
| 06/30/2021 | \$11,877.90 | \$10,793.31 | \$22,671.21 | \$1,885,032.94 |
| 09/30/2021 | \$11,940.06 | \$10,731.15 | \$22,671.21 | \$1,874,301.79 |
| 01/03/2022 | \$12,259.22 | \$10,411.99 | \$22,671.21 | \$1,863,889.80 |
| 03/31/2022 | \$11,164.50 | \$11,506.71 | \$22,671.21 | \$1,852,383.09 |
| 06/30/2022 | \$11,605.71 | \$11,065.50 | \$22,671.21 | \$1,841,317.59 |
| 09/30/2022 | \$11,663.16 | \$11,008.05 | \$22,671.21 | \$1,830,309.54 |
| 01/03/2023 | \$11,971.48 | \$10,699.73 | \$22,671.21 | \$1,819,609.81 |
| 03/31/2023 | \$10,899.26 | \$11,771.95 | \$22,671.21 | \$1,807,837.86 |
| 06/30/2023 | \$11,326.62 | \$11,344.59 | \$22,671.21 | \$1,796,493.27 |
| 10/02/2023 | \$11,626.61 | \$11,044.60 | \$22,671.21 | \$1,785,448.67 |
| 01/02/2024 | \$11,308.60 | \$11,362.61 | \$22,671.21 | \$1,774,086.06 |
| 04/01/2024 | \$10,962.98 | \$11,708.23 | \$22,671.21 | \$1,762,377.83 |
| 07/01/2024 | \$11,011.64 | \$11,659.57 | \$22,671.21 | \$1,750,718.26 |
| 09/30/2024 | \$10,938.78 | \$11,732.43 | \$22,671.21 | \$1,738,985.83 |
| 12/31/2024 | \$10,984.88 | \$11,686.33 | \$22,671.21 | \$1,727,299.50 |
| 03/31/2025 | \$10,703.10 | \$11,968.11 | \$22,671.21 | \$1,715,331.39 |
| 06/30/2025 | \$10,747.04 | \$11,924.17 | \$22,671.21 | \$1,703,407.22 |
| 09/30/2025 | \$10,789.61 | \$11,881.60 | \$22,671.21 | \$1,691,525.62 |
| 12/31/2025 | \$10,714.35 | \$11,956.86 | \$22,671.21 | \$1,679,568.76 |
| 03/31/2026 | \$10,407.34 | \$12,263.87 | \$22,671.21 | \$1,667,304.89 |
| 06/30/2026 | \$10,446.14 | \$12,225.07 | \$22,671.21 | \$1,655,079.82 |
| 09/30/2026 | \$10,483.50 | \$12,187.71 | \$22,671.21 | \$1,642,892.11 |

| Payment Date | Accrued Interest Due | Principal Due | Total Due | Principal Balance |
|--------------|----------------------|---------------|-------------|-------------------|
| 12/31/2026 | \$10,406.30 | \$12,264.91 | \$22,671.21 | \$1,630,627.20 |
| 03/31/2027 | \$10,104.08 | \$12,567.13 | \$22,671.21 | \$1,618,060.07 |
| 06/30/2027 | \$10,137.61 | \$12,533.60 | \$22,671.21 | \$1,605,526.47 |
| 09/30/2027 | \$10,169.62 | \$12,501.59 | \$22,671.21 | \$1,593,024.88 |
| 01/03/2028 | \$10,418.57 | \$12,252.64 | \$22,671.21 | \$1,580,772.24 |
| 03/31/2028 | \$9,551.32 | \$13,119.89 | \$22,671.21 | \$1,567,652.35 |
| 06/30/2028 | \$9,794.96 | \$12,876.25 | \$22,671.21 | \$1,554,776.10 |
| 10/02/2028 | \$10,034.76 | \$12,636.45 | \$22,671.21 | \$1,542,139.65 |
| 01/02/2029 | \$9,742.02 | \$12,929.19 | \$22,671.21 | \$1,529,210.46 |
| 04/02/2029 | \$9,475.66 | \$13,195.55 | \$22,671.21 | \$1,516,014.91 |
| 07/02/2029 | \$9,498.27 | \$13,172.94 | \$22,671.21 | \$1,502,841.97 |
| 10/01/2029 | \$9,415.74 | \$13,255.47 | \$22,671.21 | \$1,489,586.50 |
| 12/31/2029 | \$9,332.69 | \$13,338.52 | \$22,671.21 | \$1,476,247.98 |
| 04/01/2030 | \$9,249.12 | \$13,422.09 | \$22,671.21 | \$1,462,825.89 |
| 07/01/2030 | \$9,165.03 | \$13,506.18 | \$22,671.21 | \$1,449,319.71 |
| 09/30/2030 | \$9,080.40 | \$13,590.81 | \$22,671.21 | \$1,435,728.90 |
| 12/31/2030 | \$9,094.10 | \$13,577.11 | \$22,671.21 | \$1,422,151.79 |
| 03/31/2031 | \$8,812.28 | \$13,858.93 | \$22,671.21 | \$1,408,292.86 |
| 06/30/2031 | \$8,823.36 | \$13,847.85 | \$22,671.21 | \$1,394,445.01 |
| 09/30/2031 | \$8,832.61 | \$13,838.60 | \$22,671.21 | \$1,380,606.41 |
| 12/31/2031 | \$8,744.95 | \$13,926.26 | \$22,671.21 | \$1,366,680.15 |
| 03/31/2032 | \$8,539.25 | \$14,131.96 | \$22,671.21 | \$1,352,548.19 |
| 06/30/2032 | \$8,450.95 | \$14,220.26 | \$22,671.21 | \$1,338,327.93 |
| 09/30/2032 | \$8,453.99 | \$14,217.22 | \$22,671.21 | \$1,324,110.71 |
| 01/03/2033 | \$8,637.68 | \$14,033.53 | \$22,671.21 | \$1,310,077.18 |
| 03/31/2033 | \$7,847.22 | \$14,823.99 | \$22,671.21 | \$1,295,253.19 |
| 06/30/2033 | \$8,115.13 | \$14,556.08 | \$22,671.21 | \$1,280,697.11 |
| 09/30/2033 | \$8,112.11 | \$14,559.10 | \$22,671.21 | \$1,266,138.01 |
| 01/03/2034 | \$8,281.41 | \$14,389.80 | \$22,671.21 | \$1,251,748.21 |
| 03/31/2034 | \$7,497.83 | \$15,173.38 | \$22,671.21 | \$1,236,574.83 |
| 06/30/2034 | \$7,747.50 | \$14,923.71 | \$22,671.21 | \$1,221,651.12 |
| 10/02/2034 | \$7,906.33 | \$14,764.88 | \$22,671.21 | \$1,206,886.24 |
| 01/02/2035 | \$7,644.58 | \$15,026.63 | \$22,671.21 | \$1,191,859.61 |
| 04/02/2035 | \$7,385.28 | \$15,285.93 | \$22,671.21 | \$1,176,573.68 |
| 07/02/2035 | \$7,371.57 | \$15,299.64 | \$22,671.21 | \$1,161,274.04 |
| 10/01/2035 | \$7,275.72 | \$15,395.49 | \$22,671.21 | \$1,145,878.55 |
| 12/31/2035 | \$7,179.26 | \$15,491.95 | \$22,671.21 | \$1,130,386.60 |
| 03/31/2036 | \$7,062.85 | \$15,608.36 | \$22,671.21 | \$1,114,778.24 |
| 06/30/2036 | \$6,965.32 | \$15,705.89 | \$22,671.21 | \$1,099,072.35 |
| 09/30/2036 | \$6,942.65 | \$15,728.56 | \$22,671.21 | \$1,083,343.79 |
| 12/31/2036 | \$6,843.30 | \$15,827.91 | \$22,671.21 | \$1,067,515.88 |
| 03/31/2037 | \$6,614.80 | \$16,056.41 | \$22,671.21 | \$1,051,459.47 |
| 06/30/2037 | \$6,587.70 | \$16,083.51 | \$22,671.21 | \$1,035,375.96 |
| 09/30/2037 | \$6,558.21 | \$16,113.00 | \$22,671.21 | \$1,019,262.96 |
| 12/31/2037 | \$6,456.15 | \$16,215.06 | \$22,671.21 | \$1,003,047.90 |
| 03/31/2038 | \$6,215.32 | \$16,455.89 | \$22,671.21 | \$986,592.01 |