the insurance for that purpose. The Mortgagor shall replace the loss or shall commence such restoration promptly after such damage, destruction or loss shall have occurred and shall complete such replacement or restoration as expeditiously as practicable, and shall pay or cause to be paid out of the proceeds of such insurance all costs and expenses in connection therewith so that such replacement or restoration shall be so completed that the portion of the Mortgaged Property so replaced or restored shall be free and clear of all mechanics' liens and other claims.

Sums recovered under any fidelity bond by the Mortgagor for a loss of funds advanced under the notes or recovered by a Mortgagee for any loss under such bond shall, unless otherwise directed by the Mortgagees, be applied to the prepayment of the notes, pro rata according to the unpaid principal amounts thereof (such prepayments to be applied to such installments thereof as may be designated by the respective noteholders at the time of any such prepayment), or to construct or acquire facilities approved by the Mortgagees, which will become part of the Mortgaged Property.

SECTION 9. In the event of the failure of the Mortgagor in any respect to comply with the covenants and conditions herein contained with respect to the procuring of insurance, the payment of taxes, assessments and other charges, the keeping of the Mortgaged Property in repair and free of liens and other claims or to comply with any other covenant contained in this Mortgage, either Mortgagee shall have the right (without prejudice to any other rights arising by reason of such default) to advance or expend moneys for the purpose of procuring such insurance, or for the payment of insurance premiums, taxes, assessments or other charges, or to save the Mortgaged Property from sale or forfeiture for any unpaid tax or assessment, or otherwise, or to redeem the same from any tax or other sale, or to purchase any tax title thereon, or to remove or purchase any mechanic's liens or other encumbrance thereon, or to make repairs thereon or to comply with any other covenant herein contained or to prosecute or defend any suit in relation to the Mortgaged Property or in any manner to protect the Mortgaged Property and the title thereto, and all sums so advanced for any of the aforesaid purposes with interest thereon at the highest legal rate but not in excess of ten per centum (10%) per annum shall be deemed a charge upon the Mortgaged Property in the same manner as the notes at the time outstanding are secured and shall be forthwith paid to the Mortgagee making such advance or advances upon demand. It shall not be obligatory for any Mortgagee in making any such advances or expenditures to inquire into the validity of any such tax title, or of any of such taxes or

assessments or sales therefor, or of any such mechanics' liens or other encumbrance. A Mortgagee acting hereunder shall not be liable to the Mortgagor, the other Mortgagee or any noteholder except for losses resulting from gross negligence or wilful misfeasance.

SECTION 10. The Mortgagor will not (a) without the approval in writing of both of the Mortgagees, construct, make, lease, purchase or otherwise acquire any extensions or additions to its system which relate to serving any consumer having an anticipated or contract demand in excess of 1,000 kilowatts or make any capital expenditures other than such extensions and additions in excess of $25,000 for any transaction or in excess of $100,000 in the aggregate during any 12-month period, or enter into any contract or contracts in respect thereof, except such extensions, additions or other capital expenditures as may be financed with loans evidenced by Additional Notes hereunder; (b) without the approval in writing of the Government, construct, make, lease, purchase or otherwise acquire any other extensions or additions to its system; (c) without the approval in writing of both of the Mortgagees, enter into any contract or contracts for the sale for resale (except to parties then indebted to the Government under the Act), or for the sale to the ultimate consumer, of electric power and energy in excess of 1,000 kilowatts; (d) without the approval in writing of both of the Mortgagees, enter into any contract or contracts for the operation or maintenance of all or any substantial part of its property, or for the use by others of all or a substantial part of its property; (e) without the approval in writing of the holders of notes representing more than 50% of the unpaid principal amount of the notes, enter into or amend any contract or contracts for the purchase of electric power or energy; (f) without the approval in writing of both of the Mortgagees, incur any expenses for legal, engineering, supervisory, accounting or other similar services, except such reasonable expenses as are incurred in the routine course of business; or (g) without the approval in writing of both of the Mortgagees, deposit any of its funds, regardless of the source thereof, in any bank or other depositary which is not a member of the Federal Deposit Insurance Corporation, or the successor thereof, or of a Federal Reserve Bank.

SECTION 11. The Mortgagor will not pay its directors, as such, any salaries for their services, except such as shall have been approved by the Government, provided that nothing herein contained shall preclude any director from serving the Mortgagor in

any other capacity and receiving compensation therefor. Salaries and wages paid officers and employees shall be reasonable and in conformity with the usual practice of corporations of the size and nature of the Mortgagor.

SECTION 12. The Mortgagor will at all times keep, and safely preserve, proper books, records and accounts in which full and true entries will be made of all of the dealings, business and affairs of the Mortgagor, in accordance with the methods and principles of accounting prescribed in the Uniform System of Accounts. The Mortgagor will prepare and furnish each of the Mortgagees not later than the 15th day of each month, or at less frequent intervals when specified by such Mortgagee, financial and statistical reports on its condition and operations. Such reports shall be in such form and include such information as may be specified by such Mortgagee, including without limitation an analysis of the Mortgagor's revenues, expenses and consumer accounts. The Mortgagor will cause to be prepared and furnished to each of the Mortgagees, at least once during each 12-month period during the term hereof, a full and complete report of its financial condition as of a date (hereinafter called the "Fiscal Date") not more than 90 days prior to the date such report is furnished to the Mortgagees hereunder, and of its operations for the 12-month period ended on the Fiscal Date, in form and substance satisfactory to both of the Mortgagees, audited and certified by independent certified public accountants satisfactory to both of the Mortgagees and accompanied by a report of such audit in form and substance satisfactory to both of the Mortgagees. Either Mortgagee, through its representatives, shall at all times during reasonable business hours have access to, and the right to inspect and make copies of, any or all books, records and accounts, and any or all invoices, contracts, leases, payrolls, canceled checks, statements and other documents and papers of every kind belonging to or in the possession of the Mortgagor or in anywise pertaining to its property or business.

SECTION 13. (a) The Mortgagor will from time to time upon written demand of the Government or CFC make, execute, acknowledge and deliver or cause to be made, executed, acknowledged and delivered all such further and supplemental indentures of mortgage, deeds of trust, mortgages, financing statements, continuation statements, security agreements, instruments and conveyances as may reasonably be requested by the Government or CFC, and take or cause to be taken all such further action as may reasonably be requested by the Government or CFC to effectuate the intention of these presents and to provide for the securing and payment of the principal of and interest on the notes equally and ratably according to the terms thereof and for the purpose of fully

conveying, transferring and confirming unto the Mortgagees the property hereby conveyed, mortgaged and pledged, or intended so to be, whether now owned by the Mortgagor or hereafter acquired by it and to reflect the assignment of the rights or interests of either of the Mortgagees or of any noteholder hereunder or under any note. The Mortgagor will cause this Mortgage and any and all supplemental indentures of mortgage, mortgages and deeds of trust and every security agreement, financing statement, continuation statement and every additional instrument which shall be executed pursuant to the foregoing provisions forthwith upon execution to be recorded and filed and rerecorded and refiled as conveyances and mortgages and deeds of trust of and security interests in real and personal property in such manner and in such places as may be required by law or reasonably requested by either Mortgagee in order fully to preserve the security for the notes and to perfect and maintain the superior lien of this Mortgage and all supplemental indentures of mortgage, mortgages and deeds of trust and the rights and remedies of the Mortgagees and the noteholders.

(b) In the event that the Mortgagor has had or suffers a deficit in net income, as determined in accordance with methods of accounting prescribed in section 12 of article II hereof, for any of the five fiscal years immediately preceding the date hereof or for any fiscal year while any of the notes are outstanding, the Mortgagor will at any time or times upon written demand of the Government or CFC make, execute, acknowledge and deliver or cause to be made, executed, acknowledged and delivered all such further and supplemental indentures of mortgage, mortgages, security agreements, financing statements, instruments and conveyances, and take or cause to be taken all such further action, as may reasonably be requested by either Mortgagee in order to include in this Mortgage, as Mortgaged Property, and to subject to all the terms and conditions of this Mortgage, all right, title and interest of the Mortgagor in and to, all and singular, the automobiles, trucks, trailers, tractors, aircraft, ships and other vehicles then owned by the Mortgagor, or which may thereafter be owned or acquired by the Mortgagor. From and after the time of such written demand of the Government or CFC, such vehicles shall be deemed to be part of the Mortgaged Property for all purposes hereof.

SECTION 14. Any noteholder may, at any time or times in succession without notice to or the consent of the Mortgagor or any other noteholder and upon such terms as such noteholder may prescribe, grant to any person, firm or corporation who shall have become obligated to pay all or any part of the principal of or interest on any note held by or indebtedness owed to such noteholder or who may be affected by the lien hereby created, an

extension of the time for the payment of such principal or interest, and after any such extension the Mortgagor will remain liable for the payment of such note or indebtedness to the same extent as though it had at the time of such extension consented thereto in writing.

SECTION 15. The Mortgagor, subject to applicable laws and rules and orders of regulatory bodies, will design its rates for electric energy and other services furnished by it with a view to paying and discharging all taxes, maintenance expenses, cost of electric energy and other operating expenses of its electric transmission and distribution system and electric generating facilities, if any, and also to making all payments in respect of principal of and interest on the notes when and as the same shall become due, to providing and maintaining reasonable working capital for the Mortgagor and to maintaining a TIER of not less than 1.5 and a DSC of not less than 1.25. The Mortgagor shall give 90 days prior written notice to each of the Mortgagees of any proposed change in its general rate structure.

For purposes of this section 15, TIER of the Mortgagor shall be determined in accordance with the principles set forth in section 5 of this article II, except that (1) the three test years shall be the three calendar years last preceding the design of rates and (2) Patronage Capital or Margins shall be determined as if the rates proposed by the Mortgagor had been in effect for each of such three years.

For purposes of this section 15, DSC of the Mortgagor shall mean the average of the two largest ratios with respect to each of the three calendar years last preceding the design of rates, determined as follows: for each such year: add Patronage Capital or Margins (as computed for purposes, to the extent applicable, of Line A.27 on RUS Form 7, rev. 12-83) of the Mortgagor and Interest Expense (as computed for purposes of Line A.15 of RUS Form 7) of the Mortgagor to Depreciation and Amortization Expense (as computed for purposes, to the extent applicable, of Line A.12 on RUS Form 7, rev. 12-83) and divide the total so obtained by an amount equal to the sum of all payments of principal and interest required to be made during each of the test years on account of Total Long-Term Debt (as computed for purposes, to the extent applicable, of Line C.35 on RUS Form 7, rev. 12-83), of the Mortgagor; provided, however, that (1) in computing Interest Expense there shall be added, to the extent not otherwise included, an amount equal to 33-1/3% of the excess of rentals of Restricted Property (as defined in section 7 of article II hereof) under Long Term Leases (as defined in section 7 of article II hereof) over 2% of the Mortgagor's Equities and Margins (as defined in the Uniform

System of Accounts); (2) Patronage Capital or Margins shall be determined as if the rates proposed by the Mortgagor had been in effect for each of the three calendar years immediately preceding the design of rates; and (3) in the event that any Long-Term Debt (being any amount included in Total Long-Term Debt computed as provided above) has been refinanced during any year of such three calendar year period the payments of principal and interest required to be made during such year on account of such Long-Term Debt shall be based (in lieu of actual payments required to be made on such refinanced Debt) upon the larger of (i) an annualization of the payments required to be made with respect to the refinancing debt during the portion of such year such refinancing debt is outstanding or (ii) the payments of principal and interest required to be made during the following year on account of such refinancing debt.

SECTION 16. The Mortgagor will not, in any one year, without the approval in writing of both of the Mortgagees, 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 (such dividends, refunds, retirements and other distributions being hereinafter collectively called "distributions"), to its members, stockholders or consumers if after giving effect to any such distribution the total Equity of the Mortgagor will not equal or exceed 40% of its total assets and other debits; provided, however, that in any event the Mortgagor may make distributions to estates of deceased patrons to the extent required or permitted by its articles of incorporation and bylaws, and, if such distributions to such estates do not exceed 25% of the patronage capital and margins received by the Mortgagor in the next preceding year, make such additional distributions in any year as will not cause the total distributions in such year to exceed 25% of the patronage capital and margins received in such next preceding year, and provided, further, however, that in no event will the Mortgagor make any distributions if there is unpaid when due any installment of principal of or interest on the notes, if the Mortgagor is otherwise in default hereunder or if, after giving effect to any such distribution, the Mortgagor's total current and accrued assets would be less than its total current and accrued liabilities.

For the purpose of this section, a "cash distribution" shall be deemed to include any general cancellation or abatement of charges for electric energy or services furnished by the Mortgagor, but not the repayment of a membership fee of not in excess of $25 upon termination of a membership. As used or applied in this Mortgage (1) "Equity" shall mean the aggregate of Equities and Margins (as such terms are defined in the Uniform System of

Accounts) and Subordinated Indebtedness; and (2) "Subordinated Indebtedness" shall mean unsecured indebtedness of the Mortgagor payment of which shall be subordinated to the prior payment of the notes by subordination agreement in form and substance satisfactory to the Government and CFC.

SECTION 17. In the event that the Mortgaged Property, or any part thereof, shall be taken under the power of eminent domain, all proceeds and avails therefrom, except to the extent that both of the Mortgagees shall consent to other use and application thereof by the Mortgagor, shall forthwith be applied by the Mortgagor: first, to the ratable payment of any indebtedness by this Mortgage secured other than principal of or interest on the notes; second, to the ratable payment of interest which shall have accrued on the notes and be unpaid; third, to the ratable payment of or on account of the unpaid principal of the notes, to such installments thereof as may be designated by the respective noteholders at the time of any such payment; and, fourth, the balance shall be paid to whosoever shall be entitled thereto; provided, however, that any noteholder may cause funds to which it may be entitled under clause third hereof to be applied by the Mortgagor to the making of a deposit in the construction fund contemplated by Account 131.2 of the Uniform System of Accounts instead of causing such funds being applied to the prepayment of any note held by such noteholder.

SECTION 18. The Mortgagor will not at any time employ, or enter into any contract for the employment of, any general manager of the Mortgagor's system or any person exercising comparable authority to such a manager, unless such employment or such contract shall first have been approved by the Government. If, during such periods as the Mortgagor shall be in default in the making of payment or payments of principal of or interest on one or more of the notes or otherwise be in default hereunder, the Government shall at any time give notice to the Mortgagor that in its opinion such system is not being efficiently operated and shall request the termination of the employment of any such manager or person exercising comparable authority, or shall request the termination of any operating contract in respect of any such system, the Mortgagor will terminate such employment or operating contract 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 any such system, shall contain provisions to permit compliance with the foregoing covenants.

SECTION 19. The Mortgagor will well and truly observe and perform all of the covenants, agreements, terms and conditions contained in the Loan Agreements, as from time to time amended, on its part to be observed or performed. The Mortgagor will promptly furnish each Mortgagee with written notice of any amendment or modification of any Loan Agreement with the other Mortgagee and of the occurrence of any event of default under any such Loan Agreement. For purposes of this Mortgage, in the event of any inconsistency between the terms of this Mortgage and the terms of either Loan Agreement, the terms of this Mortgage shall govern.

SECTION 20. The Mortgagor will promptly notify the Mortgagees in writing of any change in location of its chief place of business or the office where its records concerning accounts and contract rights are kept.

SECTION 21. The Mortgagor will obtain all such rights of way, easements from landowners and releases from lienors as shall be necessary or advisable in the conduct of its business, and, if requested by either Mortgagee, deliver to such Mortgagee evidence satisfactory to such Mortgagee of the obtaining of such rights of way, easements or releases.

SECTION 22. The Mortgagor will not, without the written approval of both of the Mortgagees, hereafter 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 person, firm or corporation, except (i) securities or deposits issued, guaranteed or fully insured as to payment by the United States Government or any agency thereof, (ii) Capital Term Certificates or other securities of CFC, (iii) capital credits resulting from the payment for power and energy purchased and actually received from a generating and transmission cooperative of which the Mortgagor is a member, (iv) loans, deposits, advances, investments, securities and obligations which the Mortgagor has, prior to the date hereof, committed itself to make, purchase or undertake, as the case may be, and as to which the Mortgagor has given the Mortgagees notice in writing prior to the date hereof, and (v) such other loans, deposits, advances, investments and obligations as may from time to time be made, purchased or undertaken by the Mortgagor; provided, however, that the aggregate cost of investments, plus the total unpaid principal amount of loans, deposits, advances and obligations, permitted under this clause (v) shall not, except as permitted by applicable law, at any time exceed 3% of the total utility plant (as such term is defined in the Uniform System of Accounts) of the Mortgagor.

SECTION 23. If all the RUS Notes have been paid and discharged while any of the CFC Notes are still outstanding, all rights and powers of the Government and the holders of the RUS Notes under this Mortgage shall immediately vest in CFC and the holders of the CFC Notes, respectively, and, correspondingly, if all the CFC Notes have been paid and discharged while any of the RUS Notes are still outstanding, all rights and powers of CFC and the holders of the CFC Notes under this Mortgage shall immediately vest in the Government and the holders of the RUS Notes, respectively. CFC, the Government, the Mortgagor and the note-holders shall execute and deliver such instruments, assignments, releases or other documents as shall be reasonably required to carry out the intention of this section.

ARTICLE III

REMEDIES OF THE MORTGAGEES AND NOTEHOLDERS

SECTION 1. If one or more of the following events (hereinafter called "events of default") shall happen, that is to say:

(a) default shall be made in the payment of any installment of or on account of interest on or principal of any note or notes when and as the same shall be required to be made whether by acceleration or otherwise;

(b) any representation or warranty made by the Mortgagor herein, in the Loan Agreements or in any certificate delivered hereunder or thereunder shall prove to have been incorrect or untrue in any material respect;

(c) default shall be made in the due observance of performance of any of the covenants, conditions or agreements on the part of the Mortgagor contained in sections 3, 4, 5, 7, 10, 16 and 22 of article II hereof;

(d) default shall be made in the due observance or performance of any other of the covenants, conditions or agreements on the part of the Mortgagor, in any of the notes or in this Mortgage contained, and such default shall continue for a period of thirty (30) days after written notice specifying such default and requiring the same to be remedied shall have been given to the Mortgagor by any noteholder;

(e) the Mortgagor shall file a petition in bankruptcy or be adjudicated a bankrupt or insolvent, or shall make an assignment for the benefit of its creditors, or shall consent to the appointment of a receiver of itself or of its property, or shall institute proceedings for its reorganization or proceedings instituted by others for its reorganization shall not be dismissed within thirty (30) days after the institution thereof;

(f) a receiver or liquidator of the Mortgagor or of any substantial Portion of its property shall be appointed and the order appointing such receiver or liquidator shall not be vacated within thirty (30) days after the entry thereof;

(g) the Mortgagor shall forfeit or otherwise be deprived of its corporate charter or franchises, permits, easements or licenses required to carry on any material portion of its business;

(h) a final judgment shall be entered against the Mortgagor and shall remain unsatisfied or without a stay in respect thereof for a period of thirty (30) days; or

(i) a violation of the terms of any subordination agreement delivered pursuant to section 16 of article II hereof shall have occurred;

then in each and every such case the Government, to the extent permitted by applicable state law on behalf of all the noteholders, may, in its discretion

(aa) without protest, presentment or demand, declare all unpaid principal of and accrued interest on the notes to be due and payable immediately; and upon any such declaration all such unpaid principal and accrued interest so declared to be due and payable shall become and be due and payable immediately, anything contained herein or in any note or notes to the contrary notwithstanding;

(bb) take immediate possession of the Mortgaged Property, collect and receive all credits, outstanding accounts and bills receivable of the Mortgagor and all rents, income, revenues and profits pertaining to or arising from the Mortgaged Property, or any part thereof, and issue

binding receipts therefor; and manage, control and operate the Mortgaged Property as fully as the Mortgagor might do if in possession thereof, including, without limitation, the making of all repairs or replacements deemed necessary or advisable;

(cc) proceed to protect and enforce the rights of the Mortgagees and the rights of the noteholder or noteholders under this Mortgage by suits or actions in equity or at law in any court or courts of competent jurisdiction, whether for specific performance of any covenant or any agreement contained herein or in aid of the execution of any power herein granted or for the foreclosure hereof or hereunder or for the sale of the Mortgaged Property, or any part thereof, or to collect the debts hereby secured or for the enforcement of such other or additional appropriate legal or equitable remedies as may be deemed most effectual to protect and enforce the rights and remedies herein granted or conferred, and in the event of the institution of any such action or suit either Mortgagee shall have the right, irrespective of the adequacy of the security, to have appointed a receiver of the Mortgaged Property and of all rents, income, revenues and profits pertaining thereto or arising therefrom derived, received or had from the time of the commencement of such suit or action, and such receiver shall have all the usual powers and duties of receivers in like and similar cases, to the fullest extent permitted by law, and if either Mortgagee shall make application for the appointment of a receiver the Mortgagor hereby expressly consents that the court to which such application shall be made may, irrespective of the adequacy of the security, make said appointment; and

(dd) sell or cause to be sold all and singular the Mortgaged Property or any part thereof, and all right, title, interest, claim and demand of the Mortgagor therein or thereto, at public auction or otherwise, as may be prescribed or permitted, and in the manner prescribed or permitted by applicable law.

SECTION 2. (a) Upon the expiration of 30 days after the happening of an event or events of default, any right or remedy herein or by law conferred which the Government shall not have proceeded to exercise or enforce may, to the extent permitted by applicable state law, be exercised and enforced by CFC on behalf of all the noteholders.

(b) Notwithstanding the provisions of section 1 of this article III and subsection (a) of this section, if, in the opinion of counsel satisfactory to the Government, the Government may not lawfully act on behalf and for the benefit of the holders of the CFC Notes, CFC shall have the right, immediately upon the happening of an event or events of default and notwithstanding any action taken by the Government thereunder or otherwise, to exercise and enforce any right or remedy herein or by law conferred. Furthermore, notwithstanding said provisions, at any time after the happening of an event of default under section 1(a) of this article III with respect to any note the holder of such note may declare all unpaid principal of and interest on such note to be due and payable immediately; and upon any such declaration all such unpaid principal and accrued interest so declared to be due and payable shall become and be due and payable immediately, anything contained herein or in such note to the contrary notwithstanding. Nothing in this Mortgage contained shall affect or impair the right, which is absolute and unconditional, of any holder of any note which may be secured hereby to enforce the payment of the principal of or interest on such note on the date or dates any such interest or principal shall become due and payable in accordance with the terms of such note.

SECTION 3. The Mortgagor covenants that it will give immediate written notice to both of the Mortgagees and to all of the noteholders of the occurrence of an event of default or in the event that any right or remedy described in clauses (aa) through (dd) of section 1 of this article III is exercised or enforced, or any action is taken to exercise or enforce any such right or remedy. Each Mortgagee covenants that it will give immediate written notice to the other Mortgagee of the occurrence of any event of default of which it has knowledge or in the event that such Mortgagee exercises or enforces any right or remedy described in said clauses (aa) through (dd), or takes any action to exercise or enforce any such right or remedy.

SECTION 4. At any sale hereunder any noteholder or noteholders shall have the right to bid for and purchase the Mortgaged Property, or such part thereof as shall be offered for sale.

SECTION 5. Any proceeds or funds arising from the exercise of any rights or the enforcement of any remedies herein provided after the payment or provision for the payment of any and all costs and expenses in connection with the exercise of such rights or the enforcement of such remedies and any other sums received by the Mortgagees, the disposition of which is not

otherwise herein specifically provided for, shall be applied first, to the payment of indebtedness hereby secured other than the principal of or interest on the notes; second, to the ratable payment of interest which shall have accrued on the notes and which shall be unpaid; third, to the ratable payment of or on account of the unpaid principal of the notes; and the balance, if any, shall be paid to whosoever shall be entitled thereto. Any proceeds of funds collected by the Government under this Mortgage for the account or benefit of, or which are distributable or attributable to, CFC or any holder of a CFC Note are not payments of principal of or interest on the RUS Notes as contemplated by 7 United States Code Annotated § 903(f) and shall be held by the Government in trust for the benefit of CFC or such holder, as the case may be, and in no event shall be deemed to be moneys received for the use of the United States of America as contemplated by 31 United States Code Annotated § 3302(b) or 31 United States Code Annotated § 3302(c).

SECTION 6. Every right or remedy herein conferred upon or reserved to the Mortgagees or to the noteholders shall be cumulative and shall be in addition to every other right and remedy given hereunder or now or hereafter existing at law, or in equity, or by statute. The pursuit of any right or remedy hereunder shall not be deemed to be an election and shall not preclude the pursuit of any other right or remedy.

SECTION 7. The Mortgagor, for itself and all who may claim through or under it, covenants that it will not at any time insist upon or plead, or in any manner whatever claim, or take the benefit or advantage of, any appraisement, valuation, stay, extension or redemption laws now or hereafter in force in any locality where any of the Mortgaged Property may be situated and the Mortgagor, for itself and all who may claim through or under it, hereby waives the benefit of all such laws unless such waiver shall be forbidden by law.

SECTION 8. If at any time after an event of default and prior to the institution of foreclosure proceedings, all payments in respect of principal and interest which shall have become due and payable by the terms of the notes shall be paid to the respective noteholders, and all other defaults hereunder and under the notes shall have been cured, together with reimbursement for any resulting expense or damage, to the satisfaction of all the noteholders, together with interest at the highest legal rate but not in excess of ten per centum (10%)

per annum, then and in every such case, the Mortgagee or Mortgagees who shall have instituted any of the foregoing remedies may, by written notice to the Mortgagor, waive such default or defaults, but no such waiver shall extend to or affect any subsequent default or impair any right consequent thereon.

SECTION 9. For purposes of this article III, to the extent permitted by applicable state law, each noteholder appoints the Mortgagee or Mortgagees exercising any remedy as above provided as its attorney(s)-in-fact for such purpose.

SECTION 10. Nothing herein contained shall be deemed to authorize the Mortgagees to authorize or consent to or accept or adopt on behalf of any noteholder any plan of reorganization, arrangement, adjustment or composition affecting the notes or the rights of any holder thereof, or to authorize the Mortgagees to vote in respect of the claim of any noteholder in any such proceeding.

SECTION 11. Any rights of action and claims under this Mortgage or the notes may be prosecuted and enforced by the Mortgagee or Mortgagees prosecuting and enforcing the same without the possession of any of the notes or the production thereof in any proceeding relating thereto, and, to the extent permitted by applicable state law, any such proceeding instituted by either Mortgagee shall be brought in its own name as attorney-in-fact for the noteholders, and any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Mortgagees, their agents and counsel, be for the ratable benefit of the noteholders in respect of which such judgment has been recovered.

ARTICLE IV

POSSESSION UNTIL DEFAULT-DEFEASANCE CLAUSE

SECTION 1. Until some one or more of the events of default shall have happened, the Mortgagor shall be suffered and permitted to retain actual possession of the Mortgaged Property, and to manage, operate and use the same and any part thereof, with the rights and franchises appertaining thereto, and to collect, receive, take, use and enjoy the rents, revenues, issues, earnings, income, products and profits thereof or therefrom, subject to the provisions of this Mortgage.

SECTION 2. If the Mortgagor shall well and truly pay or cause to be paid the whole amount of the principal of and interest on the notes at the times and in the manner therein provided, according to the true intent and meaning thereof, and shall also pay or cause to be paid all other sums payable under the Loan Agreements and hereunder by the Mortgagor and shall well and truly keep and perform, according to the true intent and meaning of this Mortgage, all covenants herein required to be kept and performed by it, then and in that case, all property, rights and interests hereby conveyed or assigned or pledged shall revert to the Mortgagor and the estate, right, title and interest of the Mortgagees and the noteholders shall thereupon cease, determine and become void and the Mortgagees and the noteholders, in such case, on written demand of the Mortgagor but at the Mortgagor's cost and expense, shall enter satisfaction of this Mortgage upon the record. In any event, each noteholder, upon payment in full to him by the Mortgagor of all principal of and interest on any note held by him and the payment and discharge by the Mortgagor of all charges due to such noteholder hereunder, shall execute and deliver to the Mortgagor such instrument of satisfaction, discharge or release as shall be required by law in the circumstances.

ARTICLE V

MISCELLANEOUS

SECTION 1. It is hereby declared to be the intention of each of the parties hereto that all electric transmission and distribution lines, or systems, embraced in the Mortgaged Property, including, without limitation, all rights of way and easements granted or given to the Mortgagor or obtained by it to use real property in connection with the construction, operation or maintenance of such lines, or systems, and all service and connecting lines, poles, posts, crossarms, wires, cables, conduits, mains, pipes, tubes, transformers, insulators, meters, electrical connections, lamps, fuses, junction boxes and fixtures forming part of, or used in connection with, such lines, or systems, and all other property physically attached to any of the foregoing-described property, shall be deemed to be real property.

SECTION 2. All of the covenants, stipulations, promises, undertakings and agreements herein contained by or on behalf of the Mortgagor shall bind its successors and assigns, whether so specified or not, and all titles, rights and remedies hereby granted to or conferred upon the Mortgagees shall, subject to the

provisions of Section 9 of this Article V, pass to and inure to the benefit of the successors and assigns of the Mortgagees and shall be deemed to be granted or conferred for the ratable benefit and security of all who shall from time to time be the holders of notes executed and delivered as herein provided. The Mortgagor and each of the Mortgagees hereby agree to execute and deliver such consents, acknowledgments and other instruments as may be reasonably requested by either of the Mortgagees or any noteholder in connection with any assignment of the rights or interests of either Mortgagee or any noteholder hereunder or under the notes. Notwithstanding the foregoing, no sale, assignment or transfer of any CFC Note, and no assignment of any right or power of CFC hereunder, shall be effective as against the Government or the Mortgagor, unless such sale, assignment or transfer shall have been previously approved in writing by the Government, it being understood that no such approval shall be required for or in connection with any assignment, transfer, mortgage, hypothecation or pledge (hereinafter called a "security interest") by CFC of any CFC Note or any right or power of CFC or the holder of any CFC Note hereunder in connection with a borrowing by CFC, which security interest provides that the rights and powers of CFC and the holders of CFC Notes under the CFC Notes and this Mortgage shall be exercised by the holders thereof or CFC unless and until a default by CFC exists under the terms governing such security interest and that the restrictions herein contained shall not apply to any sale, assignment, transfer or other disposition pursuant to the terms governing such security interest and shall not apply to any such disposition by any person other than CFC.

SECTION 3. The descriptive headings of the various articles of this Mortgage were formulated and inserted for convenience only and shall not be deemed to affect the meaning or construction of any of the provisions hereof.

SECTION 4. All demands, notices, reports, approvals, designations, or directions required or permitted to be given hereunder shall be in writing and shall be deemed to be properly given if mailed by registered mail addressed to the proper party or parties at the following addresses:

As to the Mortgagor: as stated in the testimonium clause hereof.

As to the Mortgagees: CFC:
National Rural Utilities
Cooperative Finance Corporation
Woodland Park
2201 Cooperative Way
Herndon, Virginia 22071

The Government:
Rural Utilities Service
Washington, D. C. 20250-1500

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

SECTION 5. The invalidity of any one or more phrases, clauses, sentences, paragraphs or provisions of this Mortgage shall not affect the remaining portions hereof, nor shall any such invalidity as to one Mortgagee or as to any holder of notes hereunder affect the rights hereunder of the other Mortgagee or any other holder of notes.

SECTION 6. The following terms used in this Mortgage have the meanings assigned to them in the following respective provisions hereof:

Term	Provision
Mortgagor	First paragraph hereof
Government	First paragraph hereof
RUS	First recital
CFC	First paragraph hereof
Mortgagees	First paragraph hereof
Instruments Recital	Second recital
Outstanding RUS Notes	Fourth recital
Existing Mortgage	Thirteenth recital
this Mortgage	Witnesseth clause
RUS Loan Agreement	Nineteenth recital
Existing Electric Facilities	Twenty Third recital

Consolidated Mortgage
REA & CFC Loans

Property Schedule	Twenty Third recital
Additional RUS Notes	Twentieth recital
RUS Notes	Twentieth recital
CFC Loan Agreement	Twenty First recital
Loan Agreements	Twenty First recital
Additional CFC Notes	Twenty Second recital
Additional Notes	Twenty Second recital
Outstanding CFC Notes	Fifth recital
Substitute CFC Notes	Fifteenth recital
notes	Twenty Second recital
Uniform Commercial Code	Twenty Sixth recital
Mortgaged Property	Granting clause
noteholders	First paragraph, article II
Contemporaneous Loan	Section 4, article II
TIER	Section 5, article II
Uniform System of Accounts	Section 5, article II
Sum	Section 6, article II
Result	Section 6, article II
Maintenance Credit	Section 6, article II
Maintenance Deficit	Section 6, article II
Power Cost	Section 6, article II
Gross Operating Revenues	Section 6, article II
Restricted Maintenance Fund	Section 6, article II
Long-Term Leases	Section 6, article II
Restricted Property	Section 7, article II
Fiscal Date	Section 7, article II
Distributions	Section 12, article II
cash distribution	Section 16, article II
Equity	Section 16, article II
Subordinated Indebtedness	Section 16, article II
events of default	Section 16, article II
security interest	Section 1, article III
	Section 2, article V

Accounting terms not referred to above are used in this Mortgage in accordance with the meanings given them in the Uniform System of Accounts or, failing provision therefor in said System, the meanings given them by generally accepted accounting practices. Any reference herein to "directors" or "board of directors" shall be deemed to mean "trustees" or board of trustees", as the case may be.

SECTION 7. To the extent that any of the property described or referred to in this Mortgage is governed by the provisions of the Uniform Commercial Code this Mortgage is hereby deemed a "security agreement" under the Uniform Commercial Code,

and a "financing statement" under the Uniform Commercial Code for said security agreement. The mailing addresses of the Mortgagor as debtor, and of the Mortgagees as secured parties, are as set forth in section 4 of this article V.

SECTION 8. The Mortgagor agrees to indemnify and save harmless each of the Mortgagees against any liability or damages which either of them may incur or sustain in the exercise and performance of their powers and duties hereunder. For such reimbursement and indemnity, the Mortgagees shall be secured under this Mortgage in the same manner as the notes and all such reimbursements for expense or damage shall be paid to the Mortgagees incurring or suffering the same with interest at the rate specified in section 9 of article II hereof.

SECTION 9. At all times when any RUS Note is held by the Government, or in the event the Government shall assign the RUS Note without having insured the payment of such note, this Mortgage shall secure payment of such note for the benefit of the Government or such uninsured holder thereof, as the case may be. Whenever any RUS Note may be sold to an insured purchaser, it shall continue to be considered a "note" as defined herein, but as to any such insured RUS Note the Government, and not such insured purchaser, shall be considered to be, and shall have the rights of, the noteholder for purposes of this Mortgage. Notice of the Government's rights under the preceding sentence shall be set forth in all such insured RUS Notes.

SECTION 10. Any reference herein to the Administrator shall be deemed to mean the Administrator of the Rural Utilities Service or his duly authorized representative or any other person or authority in whom may be vested the duties and functions which the Administrator is now or may hereafter be authorized by law to perform.

SECTION 11. This Mortgage may be simultaneously executed in any number of counterparts, and all said counterparts executed and delivered, each as an original, shall constitute but one and the same instrument.

IN WITNESS WHEREOF, EAST CENTRAL IOWA RURAL ELECTRIC COOPERATIVE, 1006 W. Fourth Street, P. O. Box 488, Vinton, Iowa 52349-0488, as Mortgagor, has caused this Consolidated Mortgage and Security Agreement to be signed in its name and its corporate seal to be hereunto affixed and attested by its officers thereunto duly authorized, NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION, as Mortgagee, has caused this Consolidated Mortgage and Security Agreement to be signed in its name and its corporate seal to be hereunto affixed and attested by its officers thereunto duly authorized, and UNITED STATES OF AMERICA, as Mortgagee, has caused this Consolidated Mortgage and Security Agreement to be duly executed in its behalf, all as of the day and year first above written.

EAST CENTRAL IOWA RURAL ELECTRIC COOPERATIVE

by James P. Thedens
James P. Thedens
President

(Seal)

Attest: James K. Arnold
James K. Arnold
Secretary

Executed by the Mortgagor
in the presence of:

Edward W. Thelmi Sr.
Edward W. Thelmi Sr.

Jeffrey J. Elliott
Jeffrey J. Elliott
Witnesses

Consolidated Mortgage
REA & CFC Loans

NATIONAL RURAL UTILITIES
COOPERATIVE FINANCE
CORPORATION

by Robert D. Stephens
for Governor

(Seal)

Attest: Deborah Duff
Assistant Secretary-Treasurer

Executed by National Rural Utilities
Cooperative Finance Corporation,
Mortgagee, in the presence of:

Fred Parker

Witnesses

UNITED STATES OF AMERICA

by Wally Beyer
Administrator
of
Rural Utilities Service

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

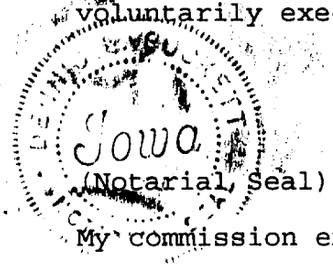
Terry L. Stotts

Witnesses
Roger Lowe

Consolidated Mortgage
REA & CFC Loans

STATE OF IOWA)
) SS
COUNTY OF Buchanan)

On this 31st day of July, 1996, before me a Notary Public in and for said County, personally appeared James P Thedens and James K. Arnold to me personally known, who, being by me duly sworn, did say that they are the President and Secretary, respectively, of East Central Iowa Rural Electric Cooperative, a corporation, that the seal affixed to the foregoing instrument is the seal of said corporation, and that said instrument was signed and sealed on behalf of the said corporation by authority of its board of directors, and they acknowledged the execution of said instrument to be the voluntary act and deed of said corporation by it voluntarily executed.



(Notarial Seal)

Notary Public in the State of Iowa
Dennis L. Puckett

My commission expires on the 29th day of July, 1997.

Consolidated Mortgage
REA & CFC Loans

COMMONWEALTH OF VIRGINIA)
) SS
COUNTY OF FAIRFAX)

BEFORE ME, a Notary Public in and for the Commonwealth of Virginia, appeared in person the within named ROBERT D. STEPHENS Signing for , Governor of the National Rural Utilities Cooperative Finance Corporation, a corporation, to me personally known, and who stated that he is duly authorized to execute the foregoing instrument for and in the name and behalf of said corporation, that said instrument was signed and sealed in behalf of said corporation by authority of its Board of Directors; that the seal affixed to the foregoing instrument is the corporate seal of said corporation; and further stated and acknowledged that he had executed the foregoing instrument as the free and voluntary act and deed of said corporation for the consideration, uses and purposes therein mentioned and set forth.

IN TESTIMONY WHEREOF, I have hereunto set my hand and official seal this 24th day of June, 1996

Notary Public

(Notarial Seal)

My commission expires: 5/31/99

Consolidated Mortgage
REA & CFC Loans

DISTRICT OF COLUMBIA) SS

BEFORE ME, a Notary Public, in and for the District of Columbia, appeared in person the within named WALLY BEYER, Administrator of the Rural Utilities Service, to me personally known, and who stated that he is duly authorized to executed the foregoing instrument for and in the name and behalf of the United States of America, and further stated and acknowledged that he had executed the foregoing instrument as the free and voluntary act and deed of the United States of America, for the consideration, uses and purposes therein mentioned and set forth.

IN TESTIMONY WHEREOF, I have hereunto set my hand and official seal this 14 day of June, 1996.

William A. Frost
Notary Public

WILLIAM A. FROST NOTARY PUBLIC DISTRICT OF COLUMBIA

(Notarial Seal)

My commission expires:

William A. Frost
Notary Public District of Columbia
My Commission Expires: 4/14/01