

FILED NO. 2566

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MICHELLE UTSLER
RECORDER
MADISON COUNTY, IOWA

See #190⁰⁰

REA PROJECT DESIGNATION:

IOWA 73-X6 ADAIR

RESTATED MORTGAGE AND SECURITY AGREEMENT

made by and among

FARMERS ELECTRIC COOPERATIVE, INC.
P.O. BOX 230
Greenfield, Iowa 50849

as mortgagor and debtor,

and

UNITED STATES OF AMERICA

Rural Electrification Administration
Washington, D. C. 20250-1500,

as mortgagee and secured party,

and

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION

2201 Cooperative Way
Woodland Park
Herndon, Virginia, 22071,

as mortgagee and secured party.

THIS INSTRUMENT GRANTS A SECURITY INTEREST IN A TRANSMITTING UTILITY
THE TYPES OF PROPERTY COVERED BY THIS INSTRUMENT ARE DESCRIBED ON PAGES 4-7
AFTER-ACQUIRED PROPERTY IS COVERED BY THIS INSTRUMENT
PROCEEDS AND PRODUCTS OF COLLATERAL ARE COVERED BY THIS INSTRUMENT
FUTURE ADVANCES AND FUTURE OBLIGATIONS ARE SECURED BY THIS INSTRUMENT
THE SIGNATURES OF THE PARTIES TO THIS INSTRUMENT ARE ON PAGES 32-33
THIS DOCUMENT WAS DRAFTED BY THE OFFICE OF THE GENERAL COUNSEL, UNITED STATES
DEPARTMENT OF AGRICULTURE, WASHINGTON, D. C., 20250-1400

NOTICE: This Mortgage secures credit in the amount of up to \$25,000,000 dollars
and advances up to this amount, together with interest, are senior to
indebtedness to other creditors under subsequently recorded and filed
mortgages or liens.

NO. 4

RESTATED MORTGAGE AND SECURITY AGREEMENT, dated as of
April 23, 1992, made by and among FARMERS ELECTRIC
COOPERATIVE, INC. -----

(hereinafter called the "Mortgagor"), a corporation existing
under the laws of the State of Iowa -----, UNITED STATES
OF AMERICA (hereinafter called the "Government") acting
through the Administrator of the Rural Electrification
Administration (hereinafter called "REA"), and NATIONAL RURAL
UTILITIES COOPERATIVE FINANCE CORPORATION (hereinafter called
"CFC"), a corporation existing under the laws of the District
of Columbia (the Government and CFC being hereinafter sometimes
collectively called the "Mortgagees").

WHEREAS, the Mortgagor has heretofore borrowed funds from the Government,
acting through the Administrator of REA, pursuant to a loan contract or amending
loan contract identified in the twelfth recital hereof (hereinafter called the
"Instruments Recital") by and between the Mortgagor and the Government (said loan
contract, as it may have been amended prior to the date of the current REA loan
agreement referred to below, being hereinafter called the "Prior REA Loan Agree-
ment") and has duly authorized and executed, and delivered to the Government,
or has assumed the payment of, certain mortgage notes all payable to the order
of the Government, in installments, of which the mortgage notes (hereinafter
collectively called the "Outstanding REA Notes") identified in the Instruments
Recital are now outstanding and held by the Government; and

WHEREAS, the Mortgagor, has heretofore borrowed funds from CFC pursuant
to certain loan agreements identified in the Instruments Recital (said loan
agreements being hereinafter collectively called the "Prior CFC Loan Agreements")
and has accordingly duly authorized and executed, and has delivered to CFC, or
has assumed the payment of, a certain mortgage note, or certain mortgage notes,
all payable to the order of CFC, in installments, of which the certain mortgage
note or notes (hereinafter collectively called the "Outstanding CFC Notes")
identified in the Instruments Recital are now outstanding (the Outstanding REA
Notes and the Outstanding CFC Notes being hereinafter collectively called the
"Outstanding Notes"); and

WHEREAS, the Outstanding REA Notes and the Outstanding CFC Notes are
secured by the security instruments (hereinafter collectively called the
"Existing Mortgage") made by the Mortgagor to the Mortgagees and identified in
the Instruments Recital; and

WHEREAS, the Government and CFC desire to amend, supplement and
consolidate the Existing Mortgage as herein provided; and

REA Designation: Iowa 73-X6 Adair

*THIS INSTRUMENT GRANTS A SECURITY INTEREST IN A TRANSMITTING UTILITY

*AFTER-ACQUIRED PROPERTY IS COVERED BY THIS INSTRUMENT

11/86

WHEREAS, pursuant to the Rural Electrification Act of 1936, as amended (7 U.S.C. 901 et. seq.,) and other applicable law, the Administrator of REA is authorized to amend, supplement and consolidate the Existing Mortgage as herein provided; and

WHEREAS, the parties to the Existing Mortgage and this Restated Mortgage and Security Agreement desire to consolidate and restate each of the instruments constituting the Existing Mortgage in its entirety;

NOW, THEREFORE, this Restated Mortgage and Security Agreement

WITNESSETH:

That each of the instruments constituting the Existing Mortgage is hereby amended, supplemented and consolidated to read in its entirety from and after the date of execution of this Restated Mortgage and Security Agreement (the Existing Mortgage, as amended, supplemented and consolidated hereby, being herein called "this Mortgage") as follows:

WHEREAS, the Mortgagor has determined to borrow additional funds from the Government pursuant to a certain loan agreement, identified in the Instruments Recital, amending the Prior REA Loan Agreement (said agreement being hereinafter called the "Current REA Loan Agreement", and the Prior REA Loan Agreement, as amended by the Current REA Loan Agreement and, as it may be hereafter amended or supplemented from time to time, being hereinafter called the "REA Loan Agreement") and has accordingly duly authorized, executed and delivered to the Government its mortgage note or notes (identified in the Instruments Recital and hereinafter collectively called the "Current REA Note") to be secured by this Mortgage of the property hereinafter described; and

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

WHEREAS, the Mortgagor has determined to borrow additional funds from CFC pursuant to a loan agreement, identified in the Instruments Recital, between the Mortgagor and CFC (such agreement being hereinafter called the "Current CFC Loan Agreement"; the Prior CFC Loan Agreements, the Current CFC Loan Agreement and any agreement as may hereafter be entered into by the Mortgagor and CFC which shall have been approved by the Government, and any amendment or supplement to any of the foregoing as may hereafter be entered into by the Mortgagor and CFC which shall have been approved by the Government, being hereinafter collectively called the "CFC Loan Agreement"; and the CFC Loan Agreement and the REA Loan Agreement being hereinafter collectively called the "Loan Agreements") and has accordingly duly authorized, executed and delivered to CFC its mortgage note or notes (identified in the Instruments Recital and hereinafter collectively called the "Current CFC Note") to be secured by this Mortgage of the property hereinafter described; and

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

WHEREAS, the Mortgagor now owns electric transmission and distribution lines and other facilities identified in the Property Schedule contained in the granting clause hereof (hereinafter called the "Existing Electric Facilities"); and

WHEREAS, the instruments referred to in the preceding recitals and the Maximum Debt Limit referred to in article I, section 1 hereof are hereby identified as follows:

INSTRUMENTS RECITAL

"Prior REA Loan Agreement" (exclusive of amendments) dated as of January 28, 1971

"Current REA Loan Agreement" dated as of January 10, 1992

"Prior CFC Loan Agreements" dated as of: April 6, 1972; April 12, 1974; December 10, 1975; March 25, 1977; October 16, 1978; February 24, 1983 and September 30, 1986.

"Current CFC Loan Agreement" dated as of even date herewith

"Current REA Note": (Of even date herewith)

<u>Principal Amount</u>	<u>Interest Rate</u> (per annum)	<u>Final Payment Date</u>
\$ 2,519,000	five per centum (5%)	Thirty-five (35) years from the date thereof

"Current CFC Note": (Of even date herewith)

<u>Principal Amount</u>	<u>Interest Rate</u> (per annum)	<u>Final Payment Date</u>
\$ 1,113,402	variable	Thirty-five (35) years from the date thereof

"Outstanding REA Notes":

ten -- (10) certain mortgage notes in an aggregate principal amount of \$ 6,959,353.54 , all of which will finally mature on or before January 2, 2022.

INSTRUMENTS RECITAL

"Outstanding CFC Notes":

seven (7) certain mortgage notes in an aggregate principal amount of \$ 2,166,402 --- , all of which will finally mature on or before January 2, 2022.

"Existing Mortgage":

<u>Instrument</u>	<u>Date</u>	<u>Trustee, if any</u>
1. Supplemental Mortgage and Security Agreement	June 6, 1972	
2. Supplement to Supplemental Mortgage and Security Agreement	July 2, 1974	

"Maximum Debt Limit" for purposes of article I, section 1 hereof shall be twenty-five million dollars (\$25,000,000)

WHEREAS, the Government and CFC are authorized to enter into this Mortgage; and

WHEREAS, to the extent that any of the property describe or referred to in this Mortgage is governed by the provisions of the Uniform Commercial Code of any State (hereinafter called the "Uniform Commercial Code"), the parties hereto desire that this Mortgage be regarded as a "security agreement" and as a "financing statement" for said security agreement under the Uniform Commercial Code;

NOW, THEREFORE, THIS MORTGAGE WITNESSETH that, in order to secure the payment of the principal of and interest on the notes, according to their tenor and effect, and further to secure the due performance of the covenants, agreements and provisions contained in this Mortgage and the Loan Agreements and to declare the terms and conditions upon which the notes are to be secured, the Mortgagor, in consideration of the premises, has executed and delivered this Mortgage, and has granted, bargained, sold, conveyed, warranted, assigned, transferred, mortgaged, pledged, and set over, and by these presents does hereby grant, bargain, sell, convey, warrant, assign, transfer, mortgage, pledge and set over, unto the Mortgagees, and their respective assigns, all and singular the following-described property (hereinafter sometimes called the "Mortgaged Property"):

I

All right, title and interest of the Mortgagor in and to the Existing Electric Facilities and electric plants, lines or other facilities hereafter constructed or acquired by the Mortgagor, wherever located, and in and to all extensions and improvements thereof and additions thereto, including all substations, service and connecting lines (both overhead and underground), poles, towers, posts, crossarms, wires, cables, conduits, mains, pipes, tubes, transformers, insulators, meters, electrical connections, lamps, fuses, junction boxes, fixtures, appliances, generators, dynamos, water turbines, water wheels, boilers, steam turbines, motors, switch boards, switch racks, pipe lines, machinery, tools, supplies, switching and other equipment, and any and all other property of every nature and description, used or acquired for use by the Mortgagor in connection therewith and including, without limitation, the property described in the following property schedule:

PROPERTY SCHEDULE

(a) The Existing Electric Facilities are located in the Counties of Adair, Adams, Audubon, Cass, Guthrie, Madison and Union, in the State of Iowa.

(b) The property referred to in the last line of paragraph I of the Granting clause includes the following:

1. Headquarters

A certain tract of land described in a certain deed, dated August 17, 1949, by A. B. Porterfield and Grace Porterfield, his wife, as grantors, to the Mortgagor, as grantee, and recorded in the Office of the Adair County Recorder in the State of Iowa, in Deed Book 182 on Page 307.

2. Headquarters

A certain tract of land described in a certain deed, dated December 31, 1949, by Rex V. Elliott and Alberta Elliott, his wife, as grantors, to the Mortgagor, as grantee, and recorded in the office of the Adair County Recorder in the State of Iowa, in Deed Book 182 on page 308.

3. Greenfield, Hebron & Orient Sub

Three tracts of land described in a certain deed, dated June 21, 1968, by Southwestern Federated Power Cooperative, as Grantor, to the Mortgagor, as grantee, and recorded in the office of the Adair County Recorder in the State of Iowa, in Deed Book 205 on page 560.

4. Anita Sub

A certain tract of land described in a certain deed, dated June 21, 1968, by Southwestern Federated Power Cooperative, as Grantor, to the Mortgagor as grantee, and recorded in the Office of the Cass County Recorder in the State of Iowa, in Deed Book 399 on pages 190-191.

5. Winterset Sub

A certain tract of land described in a certain deed, dated June 21, 1968, by Southwestern Federated Power Cooperative, as Grantor, to the Mortgagor, as grantee, and recorded in the Office of the Madison County Recorder in the State of Iowa, in Deed Book 96 on page 202.

6. Lorimor Sub

A certain tract of land described in a certain deed, dated June 14, 1971, by Orval R. Delaney and Bertha S. Delaney, his wife, as Grantors, to the Mortgagor, as grantee and recorded in the Office of the Union County Recorder in the State of Iowa, in Deed Book 375 on page 363.

7. Casey Sub

A certain tract of land described in a certain deed, dated April 19, 1974, by Central Iowa Power Cooperative, as Grantor, to the Mortgagor, as grantee, and recorded in the office of the Adair County Recorder in the State of Iowa, in Deed Book 220 on page 287.

8. Stuart Sub

A certain tract of land described in a certain deed, dated May 3, 1976, by Eugene Kading and Elaine Kading, his wife, as Grantors, to the Mortgagor, as grantee, and recorded in the Office of the Adair County Recorder in the State of Iowa, in Deed Book 224 on page 335.

9. Warehouse & Foleyard

A certain tract of land described in a certain deed, dated June 13, 1976, by Velva C. Lydon, Lucille Johnston, Louise Bohan, Edward L. Bohan, Leo Lydon, Jennie F. Lydon, Thomas Lydon, Ila Lydon, Veronica Sloss, Marvin Sloss, Ernest Lydon, Joan Lydon, Gladys Wickenburg, Roy Wickenburg, Lawrence Lydon, Arlene Jensen, Alex Jensen, Earl Lydon, Evelyn Lydon, Delores Rogers, Ralph Rogers, Lois Pettit, Donald Pettit, Robert Lydon and Ardis Lydon, as Grantors, to the Mortgagor, as grantee, and recorded in the Office of the Adair County Recorder in the State of Iowa, in Deed Book 224 on Page 469.

10. Patterson Sub

A certain tract of land described in a certain deed, dated November 30, 1976, by Ethel A. Brown, Lloyd F. Brown, and Sandra Brown, as Grantors, to the Mortgagor, as grantee, and recorded in the Office of the Madison County Recorder in the State of Iowa, in Deed Book 106 on page 227.

11. Earlham Sub

A certain tract of land described in a certain deed dated August 28, 1978, by Blanche Hoeness, Twyla Jackson, Virginia Reed, Larry Jackson and Harry F. Reed, as Grantors, to the Mortgagor, as grantee, and recorded in the Office of the Madison County Recorder in the State of Iowa, in Deed Book 108 on page 302.

12. Bridgewater Sub

A certain tract of land described in a certain deed, dated September 7, 1978, by John R. Buboltz and Mabel E. Buboltz, as Grantors, to the Mortgagor, as grantee, and recorded in the Office of the Cass County Recorder in the State of Iowa, in Deed Book 412 on page 167.

13. Wiota Sub

A certain tract of land described in a certain deed, dated May 23, 1986, by Bruce Behrends and Marilyn Behrends, as Grantors, to the Mortgagor, as grantee, and recorded in the Office of the Cass County Recorder in the State of Iowa, in Deed Book 419 on page 2238.

14. DeSota Sub

A certain tract of land described in a certain deed, dated November 28, 1986, by Rose Acre Farms, Inc., as Grantors, to the Mortgagor, as grantee, and recorded in the Office of the Madison County Recorder in the State of Iowa, in Deed Book 122 on page 646.

TOGETHER WITH all plants, works, structures, erections, reservoirs, dams, buildings, fixtures and improvements now or hereafter located on any of the properties conveyed by any and all of the aforesaid deeds mentioned above, and all tenements, hereditaments and appurtenances now or hereafter thereunto belonging or in anywise appertaining.

The description of each of the properties conveyed by and through the provisions of the aforesaid deeds is by reference made a part hereof as though fully set forth at length herein.

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II

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

III

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

IV

All right, title and interest of the Mortgagor in, to and under any and all contracts heretofore or hereafter executed by and between the Mortgagor and any person, firm, or corporation providing for the purchase, sale or exchange of electric power or energy by the Mortgagor together with any and all other accounts, contract rights and general intangibles (as such terms are defined in the applicable Uniform Commercial Code) heretofore or hereafter acquired by the Mortgagor;

V

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

Together with all rents, income, revenues, profits and benefits at any time derived, received or had from any and all of the above-described property of the Mortgagor.

Provided, however, that except as hereinafter provided in section 13(b) of article II hereof, no automobiles, trucks, trailers, tractors or other vehicles (including without limitation aircraft or ships, if any) owned or used by the Mortgagor shall be included in the Mortgaged Property.

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

ARTICLE I

ADDITIONAL NOTES

SECTION 1. The Mortgagor, when authorized by resolution or resolutions of its board of directors, may from time to time (1) execute and deliver to the Government one or more Additional REA Notes to evidence loans made by the Government, acting through the Administrator, to the Mortgagor, or to evidence indebtedness of the Mortgagor incurred by the assumption by the Mortgagor of the indebtedness of a third party or parties to the Government created by a loan or loans theretofore made by the Government, acting through the Administrator, to such third party or parties, and (2) execute and deliver to CFC one or more Additional CFC Notes to evidence loans made by CFC to the Mortgagor or to evidence indebtedness of the Mortgagor incurred by the assumption by the Mortgagor of the indebtedness of a third party or parties to CFC created by a loan or loans made by CFC to such third party or parties. The Mortgagor, when authorized by resolution or resolutions of its board of directors, may also from time to time execute and deliver one or more Additional Notes to refund any note or notes at the time outstanding and secured hereby, or in renewal of, or in substitution for, any such outstanding note or notes. Additional Notes shall contain such provisions and shall be executed and delivered upon such terms and conditions as the board of directors of the Mortgagor in the resolution or resolutions authorizing the execution and delivery thereof and the relevant lender shall prescribe; provided, however, that the notes at any one time secured hereby shall not exceed in the aggregate principal amount the amount identified in the Instruments Recital as the Maximum Debt Limit, and no note shall mature more than fifty (50) years after the date hereof; and provided further that, except as otherwise hereinbelow provided, the Mortgagor shall not execute and deliver any note to the Government under any loan contract hereafter entered into between the Mortgagor and the Government, if, after taking the loan provided for in such loan contract into account, the Mortgagor shall have, on a pro forma basis as determined by REA and CFC, for any of the first three years in which it is estimated installments of

both interest and principal will be required to be made on such loan (herein called the "test years"), a Times Interest Earned Ratio (as hereinafter defined and herein called "TIER") of less than 1.5, or a Debt Service Coverage (as hereinafter defined and herein called "DSC") of less than 1.25. Notwithstanding the provisions of the second proviso of the next preceding sentence, the Mortgagor may execute and deliver such note if (i) such proviso shall be waived in writing by CFC, or (ii) the Mortgagor shall place in operative effect an increase in its rates for service sufficient to produce additional revenues so as to assure, to the satisfaction of REA and CFC, the ability of the Mortgagor to meet the TIER and DSC standards for the test years hereinabove set forth, or (iii) the Mortgagor shall apply the proceeds of the note restricted hereby directly to the prepayment in full of all of the CFC Notes then outstanding and to the payment in full of all obligations of the Mortgagor to CFC under such CFC Notes, this Mortgage and the CFC Loan Agreement, and such prepayment may be made without any penalty or premium, notwithstanding any provision of the CFC Loan Agreement or other instrument which would otherwise require such premium or penalty, and in the event of such prepayment, the provisions of Article II, Section 4 hereof, with respect to proportionate prepayments to CFC and the Government, shall not apply.

For purposes of this section 1, TIER shall mean the ratio determined on a pro forma basis with respect to each of the test years as follows: for each such year: add Patronage Capital or Margins (as computed for purposes of Line A.27 on REA Form 7, with the appropriate pro forma adjustment) of the Mortgagor to Interest Expense (as computed for purposes of Line A.15 of REA Form 7, with the appropriate pro forma adjustment), and divide the total so obtained by Interest Expense (as so computed) of the Mortgagor; provided, however, that 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). Any reference in this Mortgage to REA Form 7 shall apply to the 12-83 revision (or to the revision of any other date which may be specified) of such REA Form 7 or to any later revision thereof which shall have been at the time prescribed for use by REA; if some other form containing the corresponding information shall at the time be prescribed by REA, such reference shall apply to the corresponding item in such other form; or, if no such form is applicable to the accounts of the Mortgagor, such reference shall apply to the corresponding information otherwise determined in a comparable manner.

For purposes of this section 1, DSC shall mean the ratio determined for each of the test years on a pro forma basis as follows: add Patronage Capital or Margins, and Interest Expense (as computed in accordance with the principles set forth in the preceding paragraph) to Depreciation and Amortization Expense (an amount as computed for purposes of Line A.12 of REA Form 7, with the appropriate pro forma adjustment), 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 the purposes of Line C.35 of REA Form 7).

No Additional CFC Notes shall be secured by this Mortgage without the prior written approval thereof by the Government.

SECTION 2. The Mortgagor, when authorized by resolution or resolutions of its board of directors, may from time to time execute, acknowledge, deliver, record and file mortgages supplemental to this Mortgage which thereafter shall form a part hereof, for the purpose of formally confirming this Mortgage as security for the notes. Nothing herein contained shall require the execution and delivery by the Mortgagor of a supplemental mortgage in connection with the issuance hereunder or the securing hereby of notes except as hereinafter provided in section 13 of article II hereof.

ARTICLE II

PARTICULAR COVENANTS OF THE MORTGAGOR

The Mortgagor covenants with the Mortgagees and the holders of notes secured hereby (hereinafter sometimes collectively called the "noteholders") and each of them as follows:

SECTION 1. The Mortgagor is duly authorized under its articles of incorporation and by-laws and the laws of the State of its incorporation and all other applicable provisions of law to execute and deliver the Current REA Note, the Current CFC Note, the Outstanding REA Notes, the Outstanding CFC Notes and this Mortgage and to execute and deliver Additional Notes; and all corporate action on its part for the execution and delivery of the Current REA Note, the Current CFC Note, the Outstanding REA Notes, the Outstanding CFC Notes and this Mortgage has been duly and effectively taken; and the Current REA Note, the Current CFC Note, the Outstanding REA Notes, the Outstanding CFC Notes and this Mortgage are, or when executed and delivered will be, the valid and enforceable obligations of the Mortgagor in accordance with their respective terms.

SECTION 2. The Mortgagor warrants that it has good right and lawful authority to mortgage the property described in the granting clauses of this Mortgage for the purposes herein expressed, and that the said property is free and clear of any deed of trust, mortgage, lien, charge or encumbrance thereon or affecting the title thereto, except (i) the lien of this Mortgage and taxes or assessments not yet due; (ii) deposits or pledges to secure payment of workmen's compensation, unemployment insurance, old age pensions or other social security; and (iii) deposits or pledges to secure performance of bids, tenders, contracts (other than contracts for the payment of borrowed money), leases, public or statutory obligations, surety or appeal bonds, or other deposits or pledges for purposes of like general nature in the ordinary course of business. The Mortgagor will, so long as any of the notes shall be outstanding, maintain and preserve the lien of this Mortgage superior to all other liens affecting the Mortgaged Property, and will forever warrant and defend the title to the property described as being mortgaged hereby to the Mortgagees against any and all claims and demands whatsoever. The Mortgagor will promptly pay or discharge any and all obligations for or on account of which any such lien or charge might exist or could be created and any and all lawful taxes, rates, levies, assessments, liens,

claims or other charges imposed upon or accruing upon any of the Mortgagor's property (whether taxed to the Mortgagor or to any noteholder), or the franchises, earnings or business of the Mortgagor, as and when the same shall become due and payable; and whenever called upon so to do the Mortgagor will furnish to the Mortgagees or to any noteholder adequate proof of such payment or discharge; provided, however, that this provision shall not be deemed to require the payment or discharge of any tax, rate, levy, assessment or other governmental charge while the Mortgagor is contesting the validity thereof by appropriate proceedings in good faith and so long as it shall have set aside on its books adequate reserves with respect thereto.

SECTION 3. Except to secure loans made by the Government or by CFC to the Mortgagor, or to a third party or parties the obligation of which is assumed by the Mortgagor, in each case in the manner specified in section 1 of article I hereof, the Mortgagor will not, without the consent in writing of both the Mortgagees, charge, assign, pledge, mortgage or otherwise encumber any of its property, real or personal, tangible or intangible, wheresoever located, which at the time is; or at any time may become, subject to the lien of this Mortgage, except that, in the event that the Mortgagor shall have duly applied for a loan from CFC which the Government shall have in writing approved and determined to be financially feasible for the Mortgagor, and CFC shall not have approved such application on or prior to the later of (i) 30 days after receipt by CFC of said approval and determination by the Government or (ii) 60 days after the receipt of such application by CFC, then the Mortgagor may, without the consent of CFC, obtain a commitment for such loan from another lender or lenders and agree to so encumber its property by amending this Mortgage to secure equally and ratably with the notes the evidence of such loan from such other lender or lenders; provided that the Mortgagor shall, on a pro forma basis after taking into account the terms and conditions of such loan, meet each of the financial and operating standards at the time imposed by CFC for the making of a secured loan of comparable maturity to its members, and provided further that, by such amendment to this Mortgage or otherwise, such other lender or lenders shall receive substantially the same, and in no event greater, rights or powers than those granted to CFC under this Mortgage, and provided further that CFC shall have determined that such loan from such other lender or lenders and such amendment to this Mortgage comply in all respects with the provisions of this section.

SECTION 4. The Mortgagor will duly and punctually pay the principal of and interest on the notes at the dates and places and in the manner provided therein, according to the true intent and meaning thereof, and all other sums becoming due hereunder. The Mortgagor may at any time make prepayments, on account of all or part of the principal of the notes, to the extent and in the manner therein and in the Loan Agreements set forth; provided, however, that (i) any prepayment of any of the CFC Notes shall be accompanied by a simultaneous prepayment of each of the REA Notes issued in connection with such CFC Note as a result of a Contemporaneous Loan, all as hereinafter set forth and (ii) any prepayment of any of the REA Notes shall be accompanied by a simultaneous prepayment of each of the CFC Notes issued in connection with such REA Note as a result of a Contemporaneous Loan, all as hereinafter set forth (at the premium, if any, prescribed in the CFC Loan Agreement). Prepayments which are required to be apportioned between CFC Notes on the one hand and the REA Notes on the other hand

under the above proviso shall be apportioned according to the proportions which the aggregate unpaid principal amount of such CFC Notes and the aggregate unpaid principal amount of such REA Notes, respectively, bear to the aggregate unpaid principal amount of such CFC Notes and REA Notes, collectively, on the date of prepayment and shall be applied to such notes and installments thereof as may be designated by the respective noteholders at the time of any such prepayment. As used in this section 4, the term "Contemporaneous Loan" shall mean a loan made pursuant to a loan agreement or agreements providing for a loan or loans secured by this Mortgage, the making of which by either lender is conditioned upon the making of a loan, therein described, by the other lender. For purposes of this section 4, the term "REA Notes" shall not be deemed to include notes which refund, renew or are in substitution for Outstanding REA Notes.

SECTION 5. The Mortgagor will at all times, so long as any of the notes shall be outstanding, take or cause to be taken all such action as from time to time may be necessary to preserve its corporate existence and to preserve and renew all franchises, rights of way, easements, permits and licenses now or hereafter to it granted or upon it conferred, and will comply with all valid laws, ordinances, regulations and requirements applicable to it or its property. The Mortgagor will not (1) without the approval in writing of the Government consolidate with or merge into any other corporation or permit any other corporation to merge into the Mortgagor or acquire all or substantially all of the business or assets of another corporation if such acquisition is analogous in purpose or effect to a merger or consolidation, or so consolidate or merge or permit any such merger or so acquire any such business or assets without the approval in writing of CFC unless the corporation surviving such transaction shall have assumed the obligations of the Mortgagor under the notes, the Loan Agreements and hereunder pursuant to an assumption agreement satisfactory as to compliance with the conditions of this section to both of the Mortgagees and unless the Mortgagor and such other corporation, on a pro forma combined basis, have (i) a Times Interest Earned Ratio (as hereinafter defined and herein called "TIER") of not less than 1.5 and (ii) a ratio of total pro forma combined Equity to total pro forma combined assets and debits at least equal to the lesser of (a) two to five or (b) the ratio of the total Equity of the Mortgagor immediately prior to said transaction to its total assets and debits immediately prior thereto (Equity to be computed in accordance with the provisions of section 16 of this article II), or (2) without the approval in writing of both of the Mortgagees, sell, lease or transfer (or make any agreement therefor) any capital asset, unless the fair market value of such asset is less than \$25,000 and the aggregate value of assets so sold, leased or transferred in any 12-month period is less than \$100,000 and the proceeds of such sale, lease or transfer, less ordinary and reasonable expenses incident to such transaction, are immediately (i) applied as a prepayment of the notes, pro rata according to the aggregate unpaid principal amount of the notes, to such installments thereof as may be designated by the respective noteholders at the time of any such prepayment, (ii) in the case of dispositions of equipment, materials or scrap, applied to the purchase of other property useful in the Mortgagor's business, not necessarily of the same kind as the property disposed of, which shall forthwith become subject to the lien of this Mortgage or (iii) set aside as a deposit in the construction fund contemplated by Account Number 131.2 of the Uniform System of Accounts prescribed by REA for its Electric Borrowers (hereinafter, as in effect on the date hereof,

called the "Uniform System of Accounts"). Any reference in this Mortgage to any Account Number of the Uniform System of Accounts shall apply to such Account Number included in the Uniform System of Accounts as of January 1978, or to any other Account Number which may be thereafter prescribed with respect to the information contemplated by the Account Number herein specified; or, if no such Account Number shall be applicable after such date to the accounts of the Mortgagor for such information, such reference shall apply to the corresponding information otherwise determined in an appropriate manner.

For purposes of this section 5, TIER shall mean the average of the two largest ratios with respect to each of the three calendar years last preceding the effective date of the merger, consolidation, acquisition or other transaction in question, 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 REA Form 7, rev. 12-83) of the Mortgagor and appropriate data of the other party to such transaction, on a consolidated basis, to Interest Expense (as computed for purposes of Line A.15 of REA Form 7) of the Mortgagor and such other party, on a consolidated basis, and divide the total so obtained by Interest Expense (as so computed) of the Mortgagor and such other party on a consolidated basis; provided, however, that in computing Interest Expense, there shall be added, on a consolidated basis, and 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) of the Mortgagor and such other party over 2% of the Mortgagor's and such other party's Equities and Margins (as defined in the Uniform System of Accounts).

SECTION 6. (a) The Mortgagor will at all times maintain and preserve the Mortgaged Property and each and every part and parcel thereof in good repair, working order and condition and in compliance with all applicable laws, regulations and orders, and will from time to time make all needful and proper repairs, renewals, and replacements and useful and proper alterations, additions, betterments and improvements, and will, subject to contingencies beyond its reasonable control, at all times keep its plant and properties in continuous operation and use all reasonable diligence to furnish the consumers served by it through the Mortgaged Property, or any part thereof, with an adequate supply of electric energy and other services furnished by the Mortgagor.

(b) The Mortgagor will cause the sum (the "Sum") of the amount used during each period of three consecutive calendar years during the terms of this Mortgage for maintenance, renewals and replacements of the Mortgaged Property and any available Maintenance Credit (as hereinbelow defined), to be at least equal to 10% of the result (the "Result") obtained by subtracting the Power Cost (as hereinbelow defined) of the Mortgagor for such three-year period from the Gross Operating Revenues (as hereinbelow defined) of the Mortgagor for such three-year period; or, if in any three calendar year period, the Sum does not equal 10% of the Result, apply the amount of the deficiency as hereinafter provided.

The term "Maintenance Credit" shall mean the sum of (1) the excess of the amount used in each period of three consecutive calendar years for maintenance, renewals and replacements over 10% of the Result during such three-year period and (2) the amount of such excesses from prior years, less amounts thereof previously utilized as permitted by this section.

The term "Maintenance Deficit" shall mean the amount by which 10% of the Result in each period of three consecutive calendar years exceeds the sum of (1) the amount applied during such three-year period for maintenance, renewals and replacements and (2) the amount of any available Maintenance Credit.

The amount used for maintenance in each year shall be the amount shown by the Mortgagor for such year under Account Number 402 of the Uniform System of Accounts, and the amounts used for renewals and replacements shall be based upon improvements and replacements of Utility Plant associated with retirements thereof, less net salvage value.

The term "Power Cost" shall mean the amount which would be shown as "COST OF PURCHASED POWER" on line 35 of REA Bulletin 1-1, as now in effect, with respect to the calendar year.

The term "Gross Operating Revenues" shall mean the amount which would be shown as "TOTAL OPERATING REVENUE" on line 77 of REA Bulletin 1-1, as now in effect, with respect to the calendar year.

In furtherance of the covenant contained in this subsection (b), the Mortgagor will, within five months after the close of the third complete calendar year after the year in which this Mortgage is being executed, and within five months after the end of each three-year period following said third calendar year, furnish to the Mortgagees an Officer's Certificate, setting forth separately and in reasonable detail:

(1) The amount of Gross Operating Revenues derived by the Mortgagor from the Mortgaged Property during the three preceding calendar years and the Mortgagor's Power Cost for such three-year period;

(2) The amounts used during such three preceding calendar years for maintenance, renewals and replacements of the Mortgaged Property;

(3) Any Maintenance Credit not theretofore utilized as permitted by this Section and the computation thereof; and

(4) The resulting Maintenance Credit or Maintenance Deficit.

In case any such Officer's Certificate shows a Maintenance Deficit, the Mortgagor shall either (i) immediately apply an amount equal to the largest integral multiple of \$1,000 which equals or is less than the amount of such Maintenance Deficit 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 (ii) immediately deposit the amount of such Deficit in a

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bank or banks satisfactory to both of the Mortgagees to be held by such bank or banks in a Restricted Maintenance Fund in trust for the benefit of the noteholders pursuant to a trust agreement satisfactory to the Mortgagees; provided, however, that, at the direction or with the approval of the Government, the Mortgagor may cause funds held in such Restricted Maintenance Fund to be applied to the making of expenditures for maintenance, renewals and replacements of the Mortgaged Property and provided, further, however, that in the event that there shall have been a balance in said Restricted Maintenance Fund at the end of each of two such consecutive reporting periods, either Mortgagee may thereafter cause the funds held therein to be applied as provided in clause (i) above.

In case any such certificate shows a Maintenance Credit, the Mortgagor may withdraw the amount of such Maintenance Credit from said Restricted Maintenance Fund to the extent that there is an accumulated balance therein, and the Mortgagees, as agents of the noteholders, shall in such case cause such withdrawal to be permitted.

The amount of any Maintenance Credit not utilized to reduce a Maintenance Deficit or so withdrawn from the Restricted Maintenance Fund shall be available until utilized for such purposes.

The Mortgagor agrees that it will, within five months after the close of each calendar year during the term of this Mortgage (other than during years in which an Officer's Certificate is required to be furnished pursuant to the seventh paragraph of this subsection (b)), furnish to the Mortgagees an Officer's Certificate, setting forth separately and in reasonable detail the amounts described in clauses (1) and (2) of said paragraph for the preceding calendar year.

SECTION 7. Except as specifically authorized in writing in advance by the Government and CFC, the Mortgagor will purchase all materials, equipment and replacements to be incorporated in or used in connection with the Mortgaged Property outright, and not subject to any conditional sales agreement, chattel mortgage, bailment lease, or other agreement reserving to the seller any right, title or lien. The Mortgagor will not, without the approval in writing of both the Mortgagees, become or be obligated under Long-Term Leases for the rental from others of Restricted Property if the aggregate amount of rentals thereunder accrued or which may accrue during any period of 12 calendar months shall exceed 2% of the Equity of the Mortgagor at the time any determination of such rental obligations is made hereunder. As used herein, the term "Equity" shall have the meaning assigned to it in section 16 of this article II. "Long-Term Leases" shall mean leases having unexpired terms (taking into account terms of renewal at the option of the lessor, whether or not such leases have theretofore been renewed) of more than 12 months, and "Restricted Property" shall mean all properties other than automobiles, trucks, trailers, tractors, other vehicles (including without limitation aircraft and ships), office, garage and warehouse space and office equipment (including, without limitation, computers).

SECTION 8. (a) The Mortgagor will take out, as the respective risks are incurred, and maintain the following classes and amounts of insurance: (1) fidelity bonds covering each officer and employee of the Mortgagor in not less than the following amounts, based on the estimated annual gross revenues of the Mortgaged Property:

<u>Annual Gross Revenue</u>		<u>Amount of Coverage</u>
Less than	\$ 200,000	\$ 10,000
\$200,001 to	400,000	20,000
400,001 to	600,000	40,000
600,001 to	800,000	60,000
800,001 to	1,000,000	80,000
over	1,000,000	100,000

and each collection agent of the Mortgagor shall be included in such fidelity bonds for not less than \$2,500, or 10 percent of the highest amount collected annually by any one collection agent, whichever is greater; (2) workmen's compensation insurance covering all employees of the Mortgagor, in such amounts as may be required by law, or if the Mortgagor or any of its employees are not subject to the workmen's compensation laws of the State or States in which the Mortgagor conducts its operations, then its workmen's compensation policy shall provide voluntary compensation coverage to the same extent as though the Mortgagor and such employees were subject to such laws; and including occupational disease liability coverage, and "additional medical" coverage of not less than \$10,000 in States where full medical coverage is not required by law; (3) public liability and property damage liability insurance, covering ownership liability, and all operations of the Mortgagor, with limits for bodily injury or death of not less than \$100,000 for one person and \$300,000 for each accident, and with limits for property damage of not less than \$50,000 for each accident and \$100,000 aggregate for the policy period; (4) liability insurance on all motor vehicles, trailers, semitrailers, and aircraft used in the conduct of the Mortgagor's business, whether owned, non-owned or hired by the Mortgagor, with bodily injury limits of not less than \$100,000 for one person and \$300,000 for each accident, and with property damage limits of \$25,000 for each accident; in connection with aircraft liability, also passenger bodily injury limits of \$100,000 per person and \$300,000 for each accident; (5) comprehensive, or separate fire, theft and windstorm insurance covering loss of or damage to all owned motor vehicles, trailers, and aircraft of the Mortgagor, having a unit value in excess of \$1,000, in an amount not less than the actual cash value of the property insured; (6) fire and extended coverage insurance, designating the Government and CFC as Mortgagees in the policy, on each building and its contents, and on any other property of the Mortgagor, other than power lines and other distribution facilities, including without limitation property situated at each storage location of materials and supplies, poles and crossarms, owned by the Mortgagor, having a value at any one location in excess of \$5,000, or in excess of one percent of the total plant value, whichever is larger, and in an amount not less than 80 percent of the current cost to replace the property new, less actual depreciation; and (7) boiler and machinery insurance, if the Mortgaged Property includes electric generating facilities, in an amount for each accident not less than the actual current cash value of the property of the Mortgagor and of other adjacent property that could be damaged thereby.

The Mortgagor will also, from time to time, increase or supplement the classes and amounts of insurance specified above to the extent requested by the Government or the holders of notes representing more than 50% of the unpaid principal amount of the notes or required to conform to the accepted practice of companies of the size and character of the Mortgagor. The Mortgagor will, upon request of either of the Mortgagees, submit to the Mortgagees a schedule of its insurance in effect on the date specified in such request and copies of any policies or contracts relating thereto.

The foregoing insurance coverage shall be obtained by means of bond and policy forms approved by regulatory authorities, including standard REA endorsements and riders used by the insurance industry to provide coverage for REA borrowers. Each policy or other contract for such insurance shall contain an agreement by the insurer that, notwithstanding any right of cancellation reserved to such insurer, such policy or contract shall continue in force for at least 10 days after written notice to the Mortgagees of cancellation.

(b) In the event of damage to or the destruction or loss of any portion of the Mortgaged Property which shall be covered by insurance, unless the Mortgagees shall otherwise agree, the Mortgagor shall replace or restore such damaged, destroyed or lost portion so that the Mortgaged Property shall be in substantially the same condition as it was in prior to such damage, destruction or loss, and shall apply the proceeds of the insurance for that purpose. 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 depository 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 REA Form 7, rev. 12-83) of the Mortgagor and Interest Expense (as computed for purposes of Line A.15 of REA Form 7) of the Mortgagor to Depreciation and Amortization Expense (as computed for purposes, to the extent applicable, of Line A.12 on REA 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 REA 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 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 note-holders 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 June 6, 1972 -----, 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 June 6, 1972 ----, 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 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 REA 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 REA 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 REA 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 REA 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

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(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 REA 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 § 484 or 31 United States Code Annotated § 495.

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 appraisal, 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.

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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
2201 Cooperative Way
Woodland Park
Herndon, Virginia 22071

The Government:
Rural Electrification Administration
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:

<u>Term</u>	<u>Provision</u>
Mortgagor	First paragraph hereof
Government	First paragraph hereof
REA	First paragraph hereof
CFC	First paragraph hereof
Mortgagees	First paragraph hereof
Instruments Recital	First recital
Prior REA Loan Agreement	First recital
Outstanding REA Notes	First recital

<u>Term</u>	<u>Provision</u>
Existing Mortgage	Third recital
this Mortgage	Witnesseth clause
REA Loan Agreement	Seventh recital
Current REA Note	Seventh recital
Existing Electric Facilities	Eleventh recital
Property Schedule	Eleventh recital
Additional REA Notes	Eighth recital
REA Notes	Eighth recital
Prior CFC Loan Agreements	Second recital
CFC Loan Agreement	Ninth recital
Loan Agreements	Ninth recital
Current CFC Note	Ninth recital
Additional CFC Notes	Tenth recital
Additional Notes	Eleventh recital
Outstanding CFC Notes	Second recital
notes	Tenth recital
Uniform Commercial Code	Thirteenth 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 7, article II
Restricted Property	Section 7, article II
Fiscal Date	Section 12, article II
Distributions	Section 16, article II
cash distribution	Section 16, article II
Equity	Section 16, article II
Subordinated Indebtedness	Section 16, article II
events of default	Section 1, article III
security interest	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 REA Note is held by the Government, or in the event the Government shall assign the REA 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 REA 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 REA 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 REA Notes.

SECTION 10. Any reference herein to the Administrator shall be deemed to mean the Administrator of the Rural Electrification Administration 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, FARMERS ELECTRIC COOPERATIVE, INC., P.O. Box 330, Greenfield, Iowa 50849 ----, as Mortgagor, has caused this Restated 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 Restated Mortgage and Security Agreement to be signed in its name and its corporate seal

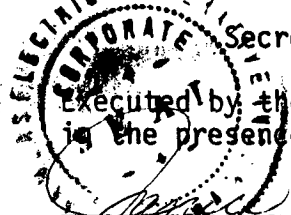
to be hereunto affixed and attested by its officers thereunto duly authorized, and UNITED STATES OF AMERICA, as Mortgagee, has caused this Restated Mortgage and Security Agreement to be duly executed in its behalf, all as of the day and year first above written.

FARMERS ELECTRIC COOPERATIVE, INC.

by Rayl M. Scott
President

(Seal)

Attest: Don Fagan
Secretary

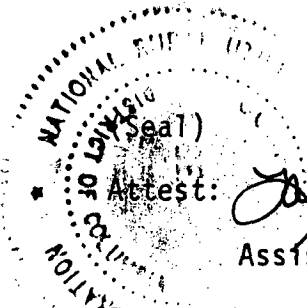


Executed by the Mortgagor
in the presence of:

James Lauer
Donna Heidigh
Witnesses

NATIONAL RURAL UTILITIES COOPERATIVE
FINANCE CORPORATION

by Kathrine Suhl
for Governor



Attest: Ann Jenkins
Assistant Secretary

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

Lotty S. Mitchell
Estlene Miller
Witnesses

UNITED STATES OF AMERICA

by *Michael M. J. [Signature]*

Acting Administrator
of
Rural Electrification Administration

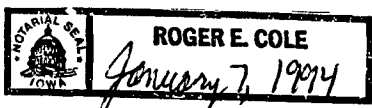
Executed by United States of America,
Mortgagee, in the presence of:

Edna Mae Myers **EDNA MAE MYERS**

[Signature]
Witnesses

STATE OF IOWA)
) SS
COUNTY OF *Adair*)

On this *23rd* day of *April*, 19*92*, before me a Notary Public in and for said County, personally appeared *Tom Fagan* and *Daryl M. Scott* to me personally known, who, being by me duly sworn, did say that they are the President and Secretary, respectively, of FARMERS ELECTRIC COOPERATIVE, INC. ----- a corporation, and 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.



Roger E. Cole
Notary Public in the State of Iowa

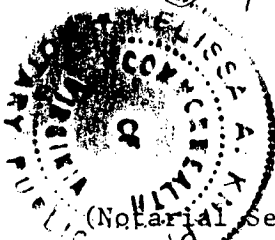
(Notarial Seal)

My commission expires on the *7th* day of *January*, 19*94*.

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 *Katherine Buhl* **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 *27th* day of *March*, 19*92*.



(Notarial Seal)

My commission expires:

Melissa A. Knapp
Notary Public

Melissa A. Knapp
Notary Public of
Commonwealth of Virginia
My Commission Expires:
October 31, 1991

BEFORE ME, a Notary Public, in and for the District of Columbia, appeared in person the within named **MICHAEL M. F. LIU**, Acting Administrator of the Rural Electrification Administration, 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 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 *16th* day of *March*, 19 *92*.



Sally R. Kidwell

 Notary Public

Sally R. Kidwell
 Notary Public
 District of Columbia
 My Commission Expires
 October 31, 1995