

MINUTES OF SPECIAL MEETING OF DIRECTORS

OF

WELLS RURAL ELECTRIC COMPANY

Pursuant to written consent and waiver of notice executed by the members of the Board of Directors of Wells Rural Electric Company on the 10th day of June, 1959, a special meeting of the Board of Directors was held at the Pequop Hotel in the City of Wells, County of Elko, State of Nevada, on the 10th day of June, 1959, at 1:30 o'clock P.M. on said day.

Present were directors ROBERT R. WRIGHT, ROGER SMITH, JAMES L. BALLARD, HERBERT M. UHLIG, EYER H. BOIES and BLAINE SHARP. Absent were directors CHARLES C. READ, CHARLES J. BALLEW AND VERNON DALTON.

Also present at the meeting were MR. JOHN H. MYHRE, Head, Operation Section, Western Area, REA; MR. EDWARD R. KIPP, REA Operations Fieldman; MR. HOWARD DANGERFIELD, REA Engineer; ROBERT O. VAUGHAN, Counsel for the corporation; and JOHN MOSCHETTI of the Contact Power Corporation.

The minutes of the Board of Directors meeting of June 3, 1959, were read and approved.

The chairman directed the Secretary to annex to the minutes of this meeting the Waiver of Notice thereof.

A discussion was had with regard to the necessity of appointing a Second Assistant Secretary, Mr. Charles C. Read having been previously appointed Assistant Secretary. After due consideration of the matter and on motion duly made, seconded and carried it was unanimously

RESOLVED: That JAMES L. BALLARD be appointed Assistant Secretary of the Corporation with all the power, authority and duties of the Secretary as set out in Section 7 of Article 4 of the By-Laws and all authority, powers and duties normally incident to the office of Secretary.

The chairman then presented to the meeting the form of a loan contract with United States of America providing for a loan to the cooperative in an amount not to exceed \$1,654,000.00 to finance the construction, acquisition and operation by the cooperative of electric generating facilities and electric transmission, distribution and service lines and stated that pursuant thereto the cooperative would be required to execute and deliver a note in the amount of \$1,654,000.00 to evidence such loan and a deed of trust covering all of its property now owned or hereafter acquired as security therefor. The chairman further explained that the proposed loan contract provides that the amount of the loan therein provided for may be increased from time to time by amendments thereto.

The secretary then read to the meeting the forms of the proposed loan contract and note and stated that such forms and the form of the proposed deed of trust had been approved by counsel for the cooperative. A thorough analysis and opinion of the counsel for the cooperative was read and discussed. Such forms and the proposition for the construction, acquisition and operation of the electric

generating facilities and the electric transmission, distribution and service lines described in the proposed loan contract were then fully discussed and, on motion duly made and seconded, the following resolutions were unanimously adopted:

RESOLVED: That the cooperative borrow not to exceed \$1,654,000.00 from United States of America, to finance the construction, acquisition and operation by the cooperative of electric generating facilities and electric transmission, distribution and service lines, serving 727 consumers, together with all necessary appurtenances, in rural areas in the County of Elko and in counties contiguous thereto, all in the State of Nevada, and along such routes as shall be approved by the Administrator of the Rural Electrification Administration for the purpose of furnishing electric energy to persons not receiving central station electric service; and

RESOLVED: That the president is hereby authorized on behalf of the cooperative to execute and deliver under its corporate seal, which the secretary or either of the Assistant Secretaries are directed to affix and attest,

1. As many counterparts as shall be deemed advisable of a loan contract with United States of America, acting through the Administrator of the Rural Electrification Administration, substantially in the form of the proposed loan contract submitted to this meeting; and
2. A note payable to the order of United States of America in the principal amount of \$1,654,000.00 bearing interest at the rate of two per centum per annum and providing for the payment of the indebtedness evidenced thereby within 35 years after the date thereof, substantially in the form of the note submitted to this meeting; and
3. As many counterparts as shall be deemed advisable of a deed of trust between the cooperative and First National Bank of Nevada, as trustee, substantially in the form of the deed of trust presented to this meeting;

with such changes in the forms of the loan contract, note and deed of trust as the president shall deem advisable.

The secretary was then directed to identify the forms of the loan contract, note and deed of trust as having been acted upon at this meeting and to annex such forms of the loan contract and note to the minutes of this meeting.

Discussion concerning the problem of determining whether or not customers had had their property and premises properly wired before being allowed to be placed on the system. A suggestion was made that the board might appoint certain persons as inspectors to determine such matters. No formal action was taken thereof.

A letter from Fred Liquin of Associated Engineers, Inc.

Billings, Montana was read by the President. The letter was accompanied with proposed contracts entitled Engineering Service Contract,

Electrical System Design and Construction and Engineering Service

Contract Special Services. Considerable discussion concerning whether

or not the contracts should be executed by the corporation, the contracts were referred to the attorney for the corporation for analysis and

study, before action would be taken thereon. Mr. Dangerfield re-

commenced that the special services contract be held for further study

of the service outlined for the contract area. He stated that he would

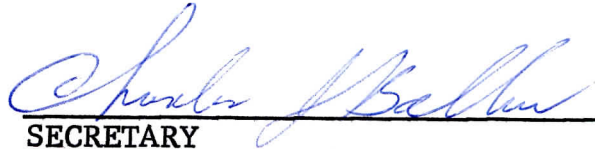
study the matter and confer with Fred Liquin.

The matter of the proposed service in the contact area was taken under consideration. It was noted that the project design did not contemplate three phase service in the Contact area. The general feeling of the board seemed to be that the Contact area should be supplied with service of the same type as on the other portions of the system if it was at all possible. Thereupon motion duly made, seconded and carried, it was unanimously

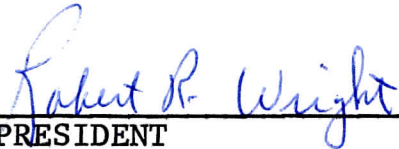
RESOLVED: That the project design should be altered to provide three phase service in the Contact area if it would be accomplished within the limits of the loan funds.

There being no further business to come before the meeting, upon motion duly made, seconded and carried the meeting was adjourned.

I, the undersigned, the duly elected and acting Secretary of the Corporation do hereby certify that the within and foregoing are the Minutes of the Board of Directors meeting held on the 10th day of June, 1959.


SECRETARY

APPROVED:


PRESIDENT

WAIVER OF NOTICE

We, the directors of WELLS RURAL ELECTRIC COMPANY (hereinafter called the "Cooperative") waive all notice of the time, place and purpose of a special meeting of the board of directors and fix the Pequop Hotel, /in the City of Wells, State of Nevada, as the place, and the 10th day of June, 1959, at 1:30 o'clock P.M., as the time for the holding of such meeting for the purpose of acting upon:

1. The authorization of the execution of a loan contract with United States of America (hereinafter called the "Government"), acting through the Administrator of the Rural Electrification Administration, with respect to a loan of not to exceed \$1,654,000, to finance the construction, acquisition and operation of electric generating facilities and electric transmission, distribution and services lines by the Cooperative;
2. The authorization of the execution and delivery by the Cooperative of a note payable to the order of the Government, in the principal amount of \$1,654,000, bearing interest at the rate of two per centum per annum and providing for the payment of the indebtedness evidenced thereby within 35 years;
3. The authorization of the execution of a Deed of Trust covering all the property of the Cooperative, now owned or hereafter acquired, to First National Bank of Nevada, as trustee, to secure, equally and ratably, such note and all additional, refunding, renewal and substituted notes which may be executed and delivered under and pursuant to the deed of trust, the aggregate principal amount of which shall not at any time exceed \$5,000,000;
4. The appointment of a second Assistant Secretary;
5. The contracts submitted by Associated Engineers, Inc.;
6. The matter of the project design, particularly in the contract area; and
7. Other routine matters of business that may come before the meeting.

IN WITNESS WHEREOF, we have hereunto set our hands this

10th day of June, 1959.

Robert R. Wright
ROBERT R. WRIGHT

Charles C. Read
CHARLES C. READ

Roger Smith
ROGER SMITH

James L. Ballard
JAMES L. BALLARD

Herbert M. Uhlig
HERBERT M. UHLIG

Eyer H. Boies
EYER H. BOIES

Charles J. Ballew
CHARLES J. BALLEW

Vernon Dalton
VERNON DALTON

Blaine Sharp
BLAINE SHARP

Being all of the directors of WELLS RURAL ELECTRIC
COMPANY without exception.

REA Project Designation:

NEVADA 15A WELLS

MORTGAGE NOTE

MADE BY

WELLS RURAL ELECTRIC COMPANY

TO

UNITED STATES OF AMERICA

Dated May 9, 1959

Identified as form of document presented to and approved
by the board of directors ~~trustees~~ of the above named
corporation at a meeting held JUNE 10, 1959

James L. Ballard
Secretary of Meeting

No. A

WELLS RURAL ELECTRIC COMPANY

MORTGAGE NOTE

Wells, Nevada
May 9, 1959

WELLS RURAL ELECTRIC COMPANY - - - - - (hereinafter called the "Corporation"), a corporation organized and existing under the laws of the State of Nevada - - - - -, for value received, promises to pay to the order of UNITED STATES OF AMERICA, at the United States Treasury, Washington, D. C., at the times and in the manner hereinafter provided, the sum of one million six hundred fifty four thousand - - - - - dollars (\$1,654,000 - - -), with interest on the amount thereof advanced by United States of America, pursuant to a certain - - - - - loan contract, dated as of May 8 - - - - -, 1959, between United States of America and the Corporation, as the same may have been amended from time to time (said loan contract, as it may have been amended, being hereinafter called the "Loan Contract"), and remaining unpaid from time to time, at the rate of two (2) per centum per annum.

Interest on principal advanced pursuant to the Loan Contract and remaining unpaid shall be payable quarterly, on the last day of March - - - , June - - - , September - - , and December - - , of each year for a period ending on a date three (3) years after the date hereof. Thereafter, to and including a date thirty-five (35) years after the date hereof, the Corporation shall make a payment on each of said quarterly dates in each year at the rate of \$10.60 - - per \$1,000 of the principal amount hereof advanced pursuant to the Loan Contract and unpaid three (3) years after the date hereof. Each such payment shall be applied first to the payment of interest on principal and then on account of principal. Thirty-five (35) years after the date hereof, the principal hereof advanced pursuant to the Loan Contract remaining unpaid, if any, and interest thereon, shall become due and payable.

The Corporation on any payment date, as hereinabove provided, may pay all or any part of the principal hereof then advanced pursuant to the Loan Contract and remaining unpaid, but so long as any of the principal hereof advanced pursuant to the Loan Contract shall remain unpaid, the Corporation shall be obligated to make the quarterly payment on account of principal and interest, in the amount hereinabove provided, unless the Corporation and the holder of this Note shall otherwise agree.

This Note has been executed and delivered pursuant to and is secured by a certain indenture of deed of trust (hereinafter called the "Mortgage") dated as of May 9, 1959, made by and between the Corporation and First National Bank of Nevada, as trustee, - - - - -
- - - - -
- - - - -
- - - - -

and is one of several notes (hereinafter called the "notes"), limited to the aggregate principal amount of five million - - - - - dollars (\$5,000,000 - - -), permitted to be executed and delivered by the Corporation pursuant to the Mortgage. The Mortgage provides that all notes shall be equally and ratably secured thereby and reference is hereby made to the Mortgage for a description of the property mortgaged and pledged, the nature and extent of the security and the rights of the holders of notes with respect thereto.

In case of default by the Corporation, as provided in the Mortgage, all principal advanced pursuant to the Loan Contract and remaining unpaid, on this Note and any other notes at the time outstanding, and all interest thereon, may be declared or may become due and payable in the manner and with the effect provided in the Mortgage.

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

WELLS RURAL ELECTRIC COMPANY

by

President

(SEAL)

Attest:

Secretary

9-97

JS:gy

5/7/59

REA Project Designation :

NEVADA 15A WELLS

LOAN CONTRACT

between

WELLS RURAL ELECTRIC COMPANY

and

UNITED STATES OF AMERICA

Dated as of May 8, 1959

Identified as form of document presented to and approved by the board of directors ~~trustees~~ of the above named corporation at a meeting held JUNE 10, 1959

James L. Ballard
Secretary of Meeting

**DEPARTMENT OF AGRICULTURE
RURAL ELECTRIFICATION ADMINISTRATION**

No. A

AGREEMENT, made as of May 8, 1959 - - - - - , pursuant to the Rural Electrification Act of 1936, as amended (7 U.S.C.A. 901 et seq.) (hereinafter called the "Act"), between WELLS RURAL ELECTRIC COMPANY - - - - - (hereinafter called the "Borrower"), a corporation - - - - - existing under the laws of the State of Nevada - - - - - , and UNITED STATES OF AMERICA (hereinafter called the "Government"), acting through the Administrator of the Rural Electrification Administration (hereinafter called the "Administrator").

WHEREAS, it is intended that the Government shall lend and the Borrower shall borrow presently an amount not in excess of \$ 1,654,000 - - , to finance the construction and operation of an electric system in rural areas and it is contemplated that such loan may from time to time be increased for purposes permitted by the provisions of the Act, as from time to time amended, and upon the terms and conditions contained in this agreement, as from time to time amended (such loan and any such increases in the amount thereof being hereinafter collectively called the "Loan");

NOW, THEREFORE, for and in consideration of the mutual agreements herein contained, the Borrower and the Government agree as follows:

ARTICLE I

LOAN, NOTES, AND SECURITY

SECTION 1. For the purpose of furnishing electric energy to persons in rural areas not receiving central station electric service, the Government shall lend and the Borrower shall borrow an amount not in excess of \$ 1,654,000 - - to finance, pursuant to the provisions of the Act, the construction and operation of an electric system (hereinafter called the "System") consisting of electric generating facilities and - - - electric transmission, distribution and service lines, and all substations, transformers, meters and other equipment necessary for the efficient operation thereof, to be located in the County of Elko - - - - - and in counties contiguous thereto, all in the State of Nevada.

SECTION 2. The debt created by the Loan shall be evidenced by notes (such notes and any notes executed and delivered to refund, or in substitution for such notes being hereinafter collectively called the "Notes") to be executed by the Borrower when and as the Administrator shall determine, payable to the order of the Government, in an aggregate principal amount which shall, except as hereinafter otherwise provided, equal the maximum amount of the loan herein provided for. The Notes shall bear interest at the rate of two (2) per centum per annum, and shall otherwise be in form and substance satisfactory to the Administrator. If any note shall be executed and delivered to refund, or in substitution for, any of the Notes at the time outstanding, the principal amount of such note may be greater or less than the principal amount of the Note which it refunds or in substitution for which it is delivered and, to that extent, the aggregate principal amount of the Notes shall be greater or less than the maximum amount of the loan herein provided for. Interest shall accrue on the principal of each Note only in respect of amounts which shall have been advanced to the Borrower from time to time on account of the Loan and charged against such Note.

SECTION 3. If the Administrator shall so require, the Borrower shall pay interest on the Notes with funds advanced by the Government on account of the Loan.

SECTION 4. The Administrator may from time to time determine the amount required to enable the Borrower to perform its obligations hereunder. Upon

notification by the Administrator to the Borrower in respect of any such determination, any reduction in the maximum amount of the loan herein provided for resulting therefrom shall be conclusive and binding upon both the Government and the Borrower and the Administrator shall cause such one or more of the Notes as he shall select to be appropriately credited with an amount equal to such reduction, and the principal amount of such Note or Notes shall, for the purposes of this agreement, be deemed to be correspondingly reduced. When the Administrator shall determine that no further funds are required to be advanced by the Government hereunder in order to enable the Borrower to perform its obligations hereunder, the Administrator shall, at such time thereafter as he shall elect, execute and deliver to the Borrower a loan closing certificate (hereinafter called the "loan closing certificate") which shall, among other things, specify the date of the closing of the Loan and the amount of the unpaid principal of and the accrued and unpaid interest on each of the Notes.

SEC. 5. The Notes shall be secured, as the Administrator shall elect, either by a mortgage made by the Borrower to the Government or by a deed of trust made by and between the Borrower and a trustee satisfactory to the Administrator (such mortgage or deed of trust, as the case may be, being hereinafter called the "Mortgage"), as supplemented by such supplemental mortgages made by the Borrower to the Government, or by such supplemental deeds of trust made by and between the Borrower and such trustee, as the Administrator shall from time to time require, and the Notes shall also be secured by such chattel mortgages and such supplemental or additional chattel mortgages, made by the Borrower to the Government, as the Administrator shall from time to time require (any such supplemental mortgage or deed of trust, and any such chattel mortgage, supplemental or additional chattel mortgage, as the case may be, being hereinafter called a "supplemental mortgage"). The Borrower shall also take such other action as the Administrator shall from time to time require to perpetuate or renew the lien of the Mortgage, or any supplemental mortgage. The Mortgage and all supplemental mortgages, if any, shall be in form and substance satisfactory to the Administrator and collectively shall cover all the property of the Borrower now owned or hereafter acquired.

SEC. 6. The Borrower shall, upon the request of the Administrator, execute and deliver to the Government such number of notes (hereinafter called the "Refunding Notes") as the Administrator shall determine, to be issued under and secured by the Mortgage and payable to the order of the Government, in exchange for and to refund any note or notes at the time outstanding and secured by the Mortgage. The Refunding Notes shall be in an aggregate principal amount agreed upon by the parties hereto, such principal amount, however, in no event to be less than the unpaid principal amount of the note, or the aggregate unpaid principal amount of the notes, in exchange for and to refund which the Refunding Notes are issued, together with all unpaid interest allowed to accumulate or accrue on such note or notes by the terms thereof. The Refunding Notes shall bear interest at the rates prescribed by applicable Federal statutes, and shall otherwise be in form and substance satisfactory to the Administrator. The Government, upon delivery of the Refunding Notes by the Borrower to the Government, shall cancel the note or notes in exchange for and to refund which the Refunding Notes were issued and shall return the note or notes so cancelled to the Borrower. The Refunding Notes shall, from and after the delivery thereof, in all respects stand in place of the note or notes in exchange for and to refund which the Refunding Notes are issued.

ARTICLE II

ADVANCES AND DISPOSITION OF FUNDS

SECTION 1. The Borrower shall deliver to the Government, when directed by the Administrator and subject to his approval, the following:

(a) one or more of the Notes, the Mortgage and such supplemental mortgages as the Administrator shall require, all duly executed and accompanied by proof of the due recordation and filing of the Mortgage and any supplemental mortgage in every appropriate office in each county specified by the Administrator;

(b) evidence of appropriate corporate action authorizing the execution and delivery of the Notes, the Mortgage, and any supplemental mortgage and amendment to this agreement;

(c) evidence that the Borrower has duly registered when and where required by law with all State and Federal authorities and obtained therefrom all authorizations, permits, and approvals to the extent required by law in order to enable the Borrower validly to execute and deliver the Notes, the Mortgage, and any supplemental mortgage and amendment to this agreement; and

(d) such opinions of counsel, who shall have been previously approved by the Administrator, as the Administrator shall require.

SEC. 2. The Borrower shall from time to time submit to the Administrator requisitions in such form and detail as the Administrator shall prescribe requesting the Government to make advances on account of the Loan. Each requisition shall be accompanied by the following:

(a) evidence satisfactory to the Administrator that the construction of the System to the date of the requisition complies with the provisions hereof;

(b) a certificate of the treasurer of the Borrower which shall specify (1) all payments not previously accounted for theretofore made by the Borrower from funds advanced by the Government on account of the Loan, and (2) all unpaid obligations of the Borrower;

(c) a statement, in such form and detail as the Administrator shall prescribe, setting forth the purposes for which it is intended the requested advance will be used by the Borrower; and

(d) such information, opinions, documents, and proofs in addition to the foregoing as may reasonably be requested by the Administrator.

SEC. 3. The Government, upon receipt of a requisition and accompanying documents complying with the provisions of section 2 of this article II, shall, within a reasonable time thereafter, if the Borrower has complied with the provisions of section 1 of this article II to the satisfaction of the Administrator, make an advance to the Borrower sufficient for such of the purposes specified in the statement of purposes accompanying the requisition as the Administrator shall approve. The Administrator may at any time, as a condition to the making of any advance on account of the Loan, require compliance by the Borrower with any one or more of the terms and covenants of this agreement to be performed by the Borrower.

Advances made by the Government pursuant to this article II shall be charged by the Government against any one or more of the Notes in such manner and in such amounts as the Administrator shall determine. The Government shall be under no obligation to make advances on account of the Loan after the date of the closing of the Loan specified in the loan closing certificate.

SEC. 4. The Borrower shall hold all moneys advanced to it by the Government hereunder in trust for the Government and shall deposit such moneys promptly after the receipt thereof in a bank or banks which shall have been approved by the Administrator. Any account (hereinafter called "Special Construction Account") in which any such moneys shall be deposited shall be designated by the corporate name of the Borrower followed by the words "Trustee, Special Construction Account". Moneys in any Special Construction Account shall be used solely for the construction and operation of the System and, subject to the provisions of section 5 of article III and section 2(c) of article V hereof, may be withdrawn only upon checks, drafts, or orders signed on behalf of the Borrower and countersigned by an executive officer thereof. The Borrower shall not deposit or allow to remain on deposit any of its funds, regardless of the source thereof, in any bank or other depository after notification by the Administrator to the effect that such bank or other depository is not satisfactory.

SEC. 5. The Borrower shall expend each advance on account of the Loan only for such of the purposes specified in the statement of purposes accompanying the requisition for such advance as shall have been approved by the Administrator.

SEC. 6. Any funds advanced on account of the Loan remaining unexpended in any Special Construction Account upon the closing of the Loan shall be forthwith remitted by the Borrower to the Government and a credit in respect thereof allowed against any one or more of the Notes to be designated by the Administrator.

SEC. 7. No advances will be made on account of the Loan for the construction of any part of the System with respect to which the Borrower shall have failed to submit to the Government evidence satisfactory to the Administrator that the Borrower has obtained from the appropriate agency or agencies of the Government all necessary orders or approvals with respect to the use of the materials required for the construction of such part of the System. No construction shall be undertaken except in accordance with authorizations or regulations of any such agency or agencies having jurisdiction in the premises.

SEC. 8. If, within two - - years from the date hereof, or, in case this agreement is amended to provide for an increase in the amount of the Loan, then within two - - years from the date of the latest such amendment, the Borrower has not complied with all conditions precedent to the advance of the maximum amount of the Loan, including the submission of requisitions therefor in compliance with section 2 of article II hereof, the Administrator may, at any time or times thereafter, request the Borrower in writing to advise the Administrator whether the Borrower will require any further advances on account of the Loan and, if so, to submit evidence to the Administrator, within thirty days, of the Borrower's need for additional time for compliance with such conditions. Upon consideration of such evidence, if any, and all other relevant circumstances, the Administrator may, in his discretion, by written notice to the Borrower, terminate any obligation to advance all or any part of the funds on account of the Loan not previously advanced to the Borrower, and such action by the Administrator shall be conclusive.

SEC. 9. Notwithstanding anything contained in this agreement, the Government should not be obligated to advance any part of the Loan provided for herein, unless and until the Borrower has delivered to the Administrator, in form and substance satisfactory to and approved by him, the following:

(a) a binding written agreement between the Borrower and the Idaho Power Company for the sale of power at wholesale by said Idaho Power Company to the Borrower; and

(b) a binding written sales agreement between the Borrower and Wells Power Company for the acquisition by the Borrower of the electric system owned or operated by said Wells Power Company, located in and in the vicinity of the Towns of Wells and Death in the County of Elko, in the State of Nevada, and presently serving approximately 505 consumers.

ARTICLE III

CONSTRUCTION

SECTION 1. The Borrower shall cause the System to be constructed under contract by a responsible contractor or contractors, except to the extent that the Administrator shall permit the Borrower to construct by force account any portion or portions of the System, or to acquire existing facilities to be included in the System. The term "force account" shall mean the prosecution of construction work by the Borrower on its own account and the furnishing by the Borrower of all labor, transportation, materials, tools, supplies, and equipment used in connection therewith. Force account construction shall be prosecuted and the acquisition of existing facilities shall be made subject to such terms and conditions as the Administrator shall prescribe and the Borrower shall keep accurate and detailed records of all costs and expenses in connection therewith. The System shall be constructed in such sections as the Administrator shall direct.

SEC. 2. The System shall be constructed in accordance with the approved plans and specifications hereinafter provided for, the provisions of this agreement, and all contracts and subcontracts made pursuant hereto. Construction of the respective sections of the System shall be commenced promptly after the Government shall have notified the Borrower to commence such construction, and the Borrower shall cause such construction to be prosecuted diligently and to be completed within such reasonable time as the Administrator shall prescribe, unless prevented from so doing by causes beyond the control and without the fault or negligence of the Borrower, including fires, floods, strikes, and unusually severe weather conditions. The Borrower shall cause the System to be completed free and clear of all liens and lawful claims for liens except the liens of the Mortgage and any supplemental mortgage.

SEC. 3. The Borrower shall, if the Administrator shall so require, invite bids for construction work pertaining to the System, and for materials, equipment, or supplies to be used therein, and the Borrower shall include all persons designated by the Administrator among those invited to submit bids. If the Administrator shall so require, the Borrower shall open bids in the presence of a representative of the Administrator and, in any event, the Borrower shall open all bids publicly at the time and place which shall have been specified in the notice to bidders. The Borrower shall award each contract to the lowest responsible bidder, unless all bids are rejected or the Administrator shall approve the award of the contract to another responsible bidder upon a showing that the award of the contract to such bidder is in the best interests of the Borrower.

SEC. 4. The Administrator may supervise the construction and equipment of the System, and shall have the right to inspect, examine, and test all work and materials relating thereto, and the Borrower shall provide reasonable facilities therefor for the use of the Administrator and his agents. The Administrator may reject any defective material or workmanship and require that any such material shall be satisfactorily replaced with proper material and that any such workmanship shall be satisfactorily corrected.

SEC. 5. If the construction of the System or any section or sections thereof, shall not proceed in accordance with the terms hereof, the Administrator may appoint a supervisor (hereinafter called the "Supervisor") for the System, or such section or sections thereof as the Administrator shall designate, as the representative of the Government and notify the Borrower of such appointment and the duration thereof. Upon the appointment of a Supervisor, the employment of all superintendents and managers of the System and of all associate and assistant superintendents and managers thereof shall be forthwith terminated. The Borrower shall comply with all reasonable instructions of the Supervisor incident to the carrying out of the obligations of the Borrower hereunder, including, without limitation, directions pertaining to the termination of the employment of such employees of the Borrower as shall be designated by the Supervisor. The Supervisor may employ such persons as he may deem necessary to assist him in carrying out his functions. The salaries, fees, disbursements and expenses of the Supervisor and of any employee appointed by him shall be paid by the Borrower, provided, however, that the salaries, fees, disbursements and expenses of any Supervisor who shall be an employee of the Government and of any assistants who shall be employees of the Government shall not be payable by the Borrower unless and to the extent that the Administrator, upon written notification to the Borrower, shall so require. So long as the appointment of the Supervisor shall be in effect, all checks, drafts, and orders drawn on any Special Construction Account shall be countersigned

by the Supervisor, except that if the proper officers or employees of the Borrower shall refuse to sign any such check, draft, or order, the Supervisor shall have full power and authority to sign such check, draft, or order on behalf of the Borrower without the requirement of any other signature thereon if the Supervisor shall certify that the check, draft or order is required to carry out the obligations of the Borrower hereunder. The Borrower hereby constitutes the Administrator its agent for the purpose of notifying any bank in which any Special Construction Account shall be maintained of the appointment of a Supervisor and of the provisions hereof with respect thereto and agrees that such notice shall include a direction to any such bank with respect to the signing or countersigning of checks, drafts, or orders drawn on any such Special Construction Account as in this section 5 provided.

SEC. 6. The Borrower shall, at such time as the Administrator shall determine, furnish to the Government (a) such certificates of the approved engineer or engineers and of the officers and employees of the Borrower as the Administrator shall require with respect to construction of the System, or any section thereof, and the cost thereof, and (b) a complete and detailed engineering and legal description of the System, or any section thereof, including a map or maps, in form satisfactory to the Administrator, showing the location and classification of all generating plants (if any), lines, substations, and transformers.

ARTICLE IV

PARTICULAR COVENANTS

SECTION 1. The Borrower shall designate, subject to the Administrator's approval: (a) a bank or banks (which must be a member or members of Federal Deposit Insurance Corporation) in which the funds of the Borrower, regardless of the source thereof, shall be deposited; (b) one or more engineers who shall perform the engineering services involved in the construction of the System, or the several sections thereof, and execute all certificates and other instruments pertaining to engineering details required hereunder to be delivered to the Government; and (c) a person who shall act as the superintendent of the System (the approved superintendent being hereinafter called the "Superintendent"). If the Administrator shall so require, the Borrower shall designate, subject to the approval of the Administrator, one or more associate or assistant superintendents, and a chief operator, engineer or other employee to have active charge of any generating plant or plants or any transmission line or lines forming a part of the System.

SEC. 2. The Borrower shall submit, when the Administrator shall so require and subject to the Administrator's approval: (a) plans and specifications for the construction of such section or sections of the System as shall be designated by the Administrator, identified by the signature of the approved engineer for such section or sections, and, if the Administrator shall so require, certified by the secretary of the Borrower as having been approved by the board of directors thereof; (b) a contract or contracts for the construction of the section or sections of the System

designated by the Administrator; (c) a contract or contracts for the purchase of materials, equipment, and supplies for use in connection with the construction or operation of the System; (d) contracts with approved engineers for all necessary engineering services in connection with the construction of the several sections of the System; (e) a contract or contracts for a supply of electric energy insofar as such supply may be necessary for the operation of the System or any part thereof; (f) a contract or contracts for the acquisition of existing facilities to be included in the System; and (g) an option or options, or a contract or contracts as the case may be, for the purchase, lease or other acquisition of a parcel or parcels of land in connection with the construction or operation of the System, or any part thereof, if the Administrator shall so require.

SEC. 3. The Borrower shall not enter into any contract for (a) the construction of any portion of the System; (b) engineering or other services pertaining to the construction or operation of the System; (c) the purchase, with funds advanced on account of the Loan, of materials, equipment, or supplies for use in connection with the construction or operation of the System; (d) electric energy with which to operate the System or any part thereof; (e) the sale of electric energy at wholesale; (f) the acquisition of existing facilities to be included in the System; or (g) the purchase, lease or other acquisition of a parcel or parcels of land in connection with the construction or operation of the System, unless the effectiveness of each such contract shall be conditioned upon the approval of the Administrator; provided, however, that contracts of the nature described in subdivision (c) of this section 3 for amounts not in excess of \$100 in individual instances and in the aggregate not in excess of one per centum (1%) of the amount specified in section 1 of article I hereof shall not require the prior approval of the Administrator.

SEC. 4. The Borrower shall take out, at the times the respective risks are incurred, and maintain, at all times until the completion of the System, insurance of such classes and in such amounts as the Administrator shall have determined to be advisable to safeguard the interests of the Borrower and the Government. The Borrower shall submit to the Administrator a schedule of the insurance which it proposes to take out and following the Administrator's approval thereof shall deliver to the Government, subject to the approval of the Administrator, originals or duplicate originals of policies effecting such insurance or certificates in respect thereof. The Borrower shall from time to time make such changes in such insurance as the Administrator shall determine to be advisable. In the event that the Borrower shall fail to take out or maintain insurance determined by the Administrator to be advisable as aforesaid, the Administrator may take out such insurance on behalf of the Borrower and the Borrower shall pay the cost thereof. Nothing herein contained shall limit the obligation of the Borrower to take out and maintain insurance pursuant to the provisions of the Mortgage and any supplemental mortgage.

SEC. 5. The Borrower shall submit to the Government, when required by the Administrator, evidence satisfactory to the Administrator that the Borrower has obtained such easements from landowners and releases from lienors and such franchises, authorizations, permits, licenses, certificates of public convenience and necessity, approvals, and orders from public bodies and others, as the Administrator shall deem necessary or advisable in connection with the System. If required so to do by the Administrator, the Borrower shall cause such easements and releases to be recorded in appropriate offices of record. None of the funds advanced on account of the Loan shall be used by the Borrower to pay for easements obtained from landowners or releases obtained from lienors.

SEC. 6. The Borrower shall make diligent effort to extend electric service to all unserved persons within the service area of the Borrower who (a) desire such service and (b) meet all reasonable requirements established by the Borrower as a condition of such service. At such time or times as the Administrator may require, the Borrower shall make diligent effort to obtain applications for membership in the Borrower or subscriptions to its capital stock, as the case may be, from all

such persons, and shall accept such applications or subscriptions by appropriate corporate action.

SEC. 7. The Borrower shall at all times keep, in accordance with good accounting practice, and shall safely preserve, proper books, records, and accounts in which full and true entries shall be made of all dealings, business, and affairs of the Borrower in connection with the use and application of funds advanced to the Borrower on account of the Loan. The Government, through its agents, representatives, accountants, or attorneys, shall at all times during reasonable business hours have access to and the right to inspect and to make copies of all such books, records, and accounts, and all invoices, contracts, leases, payrolls, canceled checks, statements, plans, specifications, drawings, and other documents and papers of every kind belonging to or in the possession of the Borrower in anywise pertaining to the System or the construction thereof.

SEC. 8. The Borrower shall perform all covenants by it to be performed under the Mortgage and any supplemental mortgage.

SEC. 9. The Borrower shall forthwith, upon receipt thereof, deliver to the Administrator any contractor's or subcontractor's bond or bonds relating to the construction of the System.

SEC. 10. The Borrower shall not operate or energize any portion of the System until the Borrower shall have furnished evidence satisfactory to the Administrator that (a) such portion of the System has been properly constructed and is ready to be operated or energized, (b) there are sufficient consumers ready to take service to permit the economical operation of such portion of the System, and (c) the Borrower has complied with the provisions of section 4 of this article IV in respect of such portion of the System. The Borrower shall not serve any consumer through the System until the Borrower shall have furnished evidence satisfactory to the Administrator that such consumer's premises have been properly wired.

SEC. 11. The Borrower represents and warrants as follows: (a) it is a corporation duly organized, existing, and in good standing under the laws of the State specified in the introductory paragraph of this agreement and has corporate power to enter into this agreement and perform every act required to be performed by it hereunder; (b) all proceedings prerequisite to the valid execution of this agreement by it have been duly taken and all required authorizations therefor have been secured; (c) the status of the Borrower in respect of litigation and other legal proceedings is as set forth in an opinion of the Borrower's counsel to be submitted at such time or times as the Administrator may require; (d) it has not entered into any contract for the construction of any portion of the System, or for engineering or other services pertaining to the construction or operation of the System, or for the acquisition of existing facilities to be included in the System, or, except as permitted by any agreement or agreements between the Government and the Borrower, for the purchase, with funds advanced or to be advanced on account of the Loan, of materials, equipment, or supplies for use in connection with the construction or operation of the System, unless such contract has been approved by the Administrator or the effectiveness thereof has been made subject to the approval of the Administrator; and (e) every statement contained in this agreement and in every other document, statement, certificate, and opinion submitted to the Government by it or in its behalf is true and correct.

SEC. 12. No fee or commission has been or shall be paid and no agreement therefor has been or shall be entered into by the Borrower or any of its officers, employees, agents, or representatives in order to obtain the Loan.

SEC. 13. The Borrower shall use or cause to be used in connection with the expenditures of funds advanced on account of the Loan only such unmanufactured articles, materials, and supplies as have been mined or produced in the United States, and only such manufactured articles, materials, and supplies as have been manufactured in the United States substantially all from articles, materials, or

supplies mined, produced, or manufactured, as the case may be, in the United States, except to the extent the Administrator shall determine that such use shall be impracticable or that the cost thereof shall be unreasonable.

SEC. 14. The Borrower shall not discriminate against any employee or applicant for employment in regard to hire, tenure, terms or conditions of employment because of race, creed, color or national origin. The Borrower shall include in every contract involving the employment of persons hereafter negotiated or renegotiated with any third party or parties a provision obligating such party or parties not to discriminate in performing the work required by such contract against any employee or applicant for employment in regard to hire, tenure, terms or conditions of employment because of race, creed, color or national origin.

SEC. 15. The Borrower shall, whenever requested so to do by the Administrator, submit evidence satisfactory to the Administrator of the economic and engineering feasibility of each part of the System designated by the Administrator. If the Borrower shall fail to submit such evidence with respect to any such part, the Government may refuse to make any advance or further advances hereunder or the Administrator may determine that such part shall not be constructed and in such event the Borrower shall not construct such part. Any determination by the Administrator hereunder shall be conclusive and binding upon both the Government and the Borrower.

SEC. 16. No funds shall be advanced on account of the Loan to finance the acquisition of any real property by the Borrower, or any construction thereon, until the Borrower shall have submitted evidence satisfactory to the Administrator that it has acquired or will acquire such right, title or interest in such real property as the Administrator may require.

ARTICLE V

EVENTS OF DEFAULT AND REMEDIES

SECTION 1. The happening of any of the following events (hereinafter called "events of default") shall constitute a default by the Borrower hereunder:

- (a) any failure to perform, or any violation of, any term, covenant,

promise, condition, or agreement on the part of the Borrower to be performed hereunder at the time and in the manner herein provided;

(b) any breach of any warranty or any material or substantial inaccuracy in any representation on the part of the Borrower; or

(c) any event of default which is specified in the Mortgage or any supplemental mortgage.

SEC. 2. Upon the happening of any event of default, as specified in section 1 of this article V, the Government or the holder or holders of any one or more of the Notes, as their respective interests may appear, may exercise any one or more of the following rights, privileges, powers, and remedies, to the extent that the exercise thereof is not prohibited by law:

(a) refuse to make any advance or any further advances on account of the Loan, but any advance thereafter made by the Government shall not constitute a waiver of such default;

(b) declare all unpaid principal of and all interest accrued on any or all of the Notes held by such holder or holders to be due and payable immediately and upon such declaration all such principal and interest shall become due and payable immediately, anything herein or in any other agreement to which the Borrower shall be a party, or in the Notes or in the Mortgage or any supplemental mortgage to the contrary notwithstanding;

(c) enter upon and take possession of the System, take possession of and utilize any and all equipment, materials, tools, supplies, and appliances wherever located belonging to the Borrower, take possession of any funds in any Special Construction Account, take possession of all books, papers, records, documents, accounts, and plans and specifications of the Borrower relating to the System, and complete or cause to be completed, by contract or otherwise, the construction of the System, or such portion thereof as the Administrator may select, for the account of the Borrower, and the amount paid therefor by the Government shall be considered an advance on account of the Loan and if said amount, together with prior advances, is in excess of the maximum amount which the Government would otherwise be required to advance hereunder, the Borrower shall immediately pay to the Government the amount of such excess; or

(d) exercise any and all rights, privileges, remedies, powers, claims, and demands which the Borrower may have against third persons in any way relating or pertaining to the construction of the System and, for such purpose, the Borrower does hereby assign, transfer, and set over to the Government any and all such rights, privileges, remedies, powers, claims, and demands, except such as by law are not transferable or assignable, which the Borrower hereby agrees to hold, together with any and all proceeds resulting therefrom, in trust for the benefit of the Government and the holder or holders of the Notes, as their respective interests may appear.

SEC. 3. Every right, privilege, power, or remedy herein or in the Notes or in the Mortgage or in any supplemental mortgage conferred upon or reserved to the Government or any holder or holders of the Notes shall be cumulative and shall be in addition to every other right, privilege, power, and remedy now or hereafter existing at law or in equity or by statute. The pursuit of any right, privilege, power, or remedy shall not be construed as an election.

ARTICLE VI

MISCELLANEOUS

SECTION 1. No Member of or Delegate to the Congress of the United States

shall be admitted to any share or part of this agreement or to any benefit to arise herefrom other than the receiving of electric service through the System on the same terms accorded other consumers served through the System.

SEC. 2. The Borrower and each of the officers signing this agreement respectively acknowledge that they have received copies of sections 286, 287, 641, 1001 and 1361 of Title 18, United States Code, Crimes and Criminal Procedure.

SEC. 3. 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.

SEC. 4. The term "plans and specifications" shall include such changes and modifications in the plans and specifications originally approved by the Administrator as may from time to time be agreed upon by the Borrower and the Government. The terms "note" or "notes" shall include the terms "bond" or "bonds", as the case may be.

SEC. 5. No counsel, engineer, superintendent, instrument, or act of the Borrower, who or which shall be subject to the approval of the Administrator, shall be deemed to be approved unless and until the Administrator shall have given such approval in writing.

SEC. 6. The Administrator, in his absolute discretion and upon such terms and conditions as he may determine, may waive the performance or doing of any one or more of the acts to be performed or things to be done by the Borrower, and any provision hereof may be modified or amended by mutual consent of the Borrower and the Administrator. The Borrower shall not claim any modification, amendment, rescission, release, or annulment of any part hereof except pursuant to a written instrument subscribed by the Administrator. The approval by or on behalf of the Administrator of an advance of funds on account of the Loan shall constitute a finding of sufficient performance by the Borrower of all acts prerequisite to such advance, or a waiver thereof; provided, however, that any such waiver shall be effective only with reference to such advance and shall not preclude the Administrator from requiring full performance of the acts so waived as a prerequisite to any subsequent advance.

SEC. 7. The Borrower shall not assign this agreement or any part hereof or any moneys due or to become due hereunder.

SEC. 8. The descriptive headings of the various articles hereof were formulated and inserted for convenience only and shall not be deemed to affect the meaning or construction of any of the provisions hereof. The invalidity of any one or more phrases, clauses, sentences, paragraphs, or provisions of this agreement shall not affect any remaining portion or portions hereof.

SEC. 9. All demands, notices, approvals, designations, or directions

permitted or required to be made upon or given to the Borrower hereunder shall be mailed to the Borrower at Wells, Nevada ----- or such other address as the Borrower shall designate in writing to the Administrator. All notices, designations, or communications permitted or required to be given or sent to the Government or the Administrator hereunder shall be mailed to the Administrator at Washington 25, D. C. or such other address as the Administrator shall designate in writing to the Borrower.

SEC. 10. This agreement may be simultaneously executed and delivered in two or more counterparts, each of which so executed and delivered shall be deemed to be an original, and all shall constitute but one and the same instrument.

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

ARTICLE II

FEDERAL GOVERNMENT OF THE UNITED STATES OF AMERICA
WELLS RURAL ELECTRIC COMPANY

by

(Seal)

President

Attest:

Secretary

UNITED STATES OF AMERICA

by

Administrator
of

Rural Electrification Administration