

JAM:kte

REA Project Designation:

NEVADA 15-D4 WELLS

MORTGAGE

made by

WELLS RURAL ELECTRIC COMPANY

to

UNITED STATES OF AMERICA

NO. A

Identified as form of document presented to and approved
by the board of directors trustees of the above named
corporation at a meeting held APRIL 11, 1975

Lawrence D. Smith

Secretary of Meeting

MORTGAGE, dated as of _____ made by
WELLS RURAL ELECTRIC COMPANY _____
(hereinafter called the "Mortgagor"), a corporation organized
and existing under the laws of the State of Nevada _____,
to the UNITED STATES OF AMERICA (hereinafter sometimes called
the "Mortgagee").

WHEREAS, the Mortgagor, to evidence the borrowing of funds from the
Mortgagee pursuant to the Rural Electrification Act of 1936, as amended (7 U.S.C.
901 et seq., hereinafter called the "Act"), has duly authorized and executed, and
has delivered to the Mortgagee, its mortgage note (hereinafter called the "First
Note"), to be secured by a mortgage in the terms hereof of the property herein-
after described; and

WHEREAS, the First Note is of even date herewith, is in the principal
amount of seven hundred twenty-five thousand _____ dollars
(\$ 725,000 -----), is payable to the order of the Mortgagee at the United States
Treasury, Washington, D. C., bears interest at the rate of two per centum (2%)
per annum, and provides for periodic payments of interest and repayments of prin-
cipal which will pay and discharge the principal of the First Note and interest
thereon within thirty-five (35) years after the date thereof; and

WHEREAS, the Mortgagor, for value received, to evidence the prior bor-
rowing of funds pursuant to the Act, has heretofore duly authorized and executed,
and has delivered to the Mortgagee, the following certain mortgage notes (herein-
after collectively called the "Outstanding Notes"), all payable to the order of
the Mortgagee, in installments:

<u>DATE</u>	<u>PRINCIPAL AMOUNT</u>	<u>FINAL PAYMENT DATE</u>
1. May 9, 1959	\$1,654,000	April 24, 2003
2. April 6, 1962	1,108,000	February 19, 2006

WHEREAS, the Outstanding Notes are secured by the following security
instruments (hereinafter collectively called the "Underlying Mortgage"), all made
by and between the Mortgagor and First National Bank of Nevada, as Trustee,

<u>Instrument</u>	<u>Dated as of</u>
1. Deed of Trust	May 9, 1959
2. Deed of Trust	July 10, 1959
3. Supplemental Indenture	April 26, 1962; and

WHEREAS, the Mortgagor is the owner and holder of the Outstanding Notes; and

WHEREAS, it is contemplated that the Outstanding Notes and the First Note shall be secured hereby and that additional notes (hereinafter called the "additional notes") shall from time to time be executed and delivered by the Mortgagor to United States of America to evidence any loan or loans made by United States of America to the Mortgagor pursuant to the Act, or to evidence indebtedness incurred by the assumption by the Mortgagor of the indebtedness of a third party or parties to United States of America created by a loan or loans theretofore made by United States of America to any third party or parties pursuant to the Act or to the Emergency Relief Appropriation Act of 1935 (hereinafter called the "Relief Act"), and that from time to time the Mortgagor may execute and deliver to the holder or holders of outstanding notes secured hereby notes to refund such outstanding notes, or in renewal thereof, or in substitution therefor, all to be secured hereby (the First Note, the Outstanding Notes, the additional notes, and notes executed and delivered to refund, or in renewal of, or in substitution for, any note or notes at any time outstanding and secured hereby being hereinafter sometimes collectively called the "notes");

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 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 Mortgagee, and its 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 ----- electric transmission and distribution lines and facilities constructed or acquired by the Mortgagor with the proceeds of the loans evidenced by the Outstanding Notes, and located in the County of Elko, in the State of Nevada and in the County of Tooele,

in the State of Utah -----, and in and to the electric transmission and distribution lines and facilities proposed to be constructed or acquired by the Mortgagor with the proceeds of the loans evidenced by any of the notes pursuant to a certain amending loan contract (hereinafter called the "Loan Contract") between the Mortgagor and the Mortgagee, dated as of May 8, 1959 -----, as the same has been or may be from time to time amended, and located or to be located in the counties mentioned above, and in counties contiguous to any of the counties enumerated above in said State, and in and to all extensions and improvements thereof and additions thereto, including all substations, service and connecting lines, poles, posts, cross arms, 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 also all right, title and interest of the Mortgagor in and to any and all other electric transmission and distribution lines, or systems, and facilities, and electric generating plants and facilities, at any time or times hereafter constructed or acquired by the Mortgagor and all extensions and improvements thereof and additions thereto, together with any and all other property of every nature and description used or acquired for use by the Mortgagor in connection therewith, wherever located in the above-mentioned State, including, without limitation, all property of the classes hereinabove listed, and also including, without limitation, the following described property, to wit:

1. A certain tract of land described in a certain deed, dated May 11, 1966, by Leo Quillici and Luigina Quillici, his wife as grantors, to the Mortgagor, as grantee, and recorded in the Office of the Recorder of the County Court of Elko County, in the State of Nevada, in Deed Book 68, on Page 635.
2. A certain tract of land described in a certain deed dated January 13, 1961, by Idaho Power Company, as grantor, to the Mortgagor, as grantee, and recorded in the Office of the Recorder of the County Court of Elko County, in the State of Nevada, in Deed Book 11, on Page 504.
3. Certain tracts of land described in a certain deed, dated May 27, 1960 by Wells Power Company, as grantor, to the Mortgagor, as grantee, and recorded in the Office of the Recorder of the County Court of Elko County, in the State of Nevada, in Deed Book 4, on Page 42.
4. A certain tract of land described in a certain deed dated November 4, 1960, by First National Bank of Nevada, as grantor, to the Mortgagor, as grantee, and recorded in the Office of the Recorder of the County Court of Elko County, in the State of Nevada, in Deed Book 10, on Page 408.
5. A certain tract of land described in a certain deed dated April 26, 1962, by Wendover Light and Power Company, as grantor, to the Mortgagor, as grantee, and recorded in the Office of the Recorder of the County Court of Tooele County, in the State of Utah, in Deed Book 32, on Pages 83 - 93.

II

All right, title and interest of the Mortgagor in, to and under any and all rights, 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, and in connection with, the construction or operation by or on behalf of the Mortgagor of electric transmission or distribution lines, or systems, and facilities, whether underground or overhead or otherwise, or of any electric generating plant and facilities, wherever located in the above-mentioned State ;

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 United States of America, or any state or by any county,

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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 in the above-mentioned State, in so far 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 or exchange of electric energy 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 situate, now owned or hereafter acquired by the Mortgagor, it being the intention hereof that all such property 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;

VI

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 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 Mortgagee and its assigns forever; subject and subordinate, however, to the lien of the Underlying Mortgage 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 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, and to secure the due performance of the covenants, agreements and provisions herein 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 execute and deliver to United States of America one or more additional notes to evidence loans made by United States of America to the Mortgagor pursuant to the Act or to evidence indebtedness of the Mortgagor incurred by the assumption by the Mortgagor of the indebtedness of a third party or parties to United States of America created by a loan or loans theretofore made by United States of America to such third party or parties pursuant to the Act or the Relief Act. 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 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 and refunding, renewal and substituted 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 shall prescribe; provided, however, that the notes at any one time secured hereby shall not exceed

twenty-five million dollars ----- (\$ 25,000,000 ----) in aggregate principal amount, and no note shall mature more than fifty (50) years after the date hereof. Additional notes and refunding, renewal and substituted notes, when and as executed and delivered, shall be secured by this Mortgage, equally and ratably with all other notes at the time outstanding, without preference, priority, or distinction of any of the notes over any other of the notes by reason of the priority of the time of the execution, delivery or maturity thereof or of the assignment or negotiation thereof.

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 any additional note or notes or for any refunding, renewal or substituted note or notes executed and delivered by the Mortgagor as herein provided. 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 additional notes or of refunding, renewal or substituted notes, except as hereinafter provided in section 13 of article II hereof.

ARTICLE II

PARTICULAR COVENANTS OF THE MORTGAGOR

The Mortgagor covenants with the Mortgagee 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 bylaws and the laws of the State of its incorporation and all other applicable provisions of law to execute and deliver the Outstanding Note, the First Note and this Mortgage and to execute and deliver additional notes and notes to refund, or in renewal of, or in substitution for, outstanding notes; and all corporate action on its part for the execution and delivery of the Outstanding Note, of the First Note and of this Mortgage has been duly and effectively taken; and the Outstanding Note, the First Note and this Mortgage are 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 the lien of the Underlying Mortgage, this Mortgage and taxes or assessments not yet due. 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, except the lien of the Underlying Mortgage, and will forever warrant and defend the title to the property described as being mortgaged hereby to the Mortgagee, 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 the Mortgaged Property, or any part thereof, or upon or against any property of the Mortgagor not then embraced in the Mortgaged 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 Mortgagee or to any noteholder adequate proof of such payments or discharge.

SECTION 3. Except to secure loans made by the Mortgagee to the Mortgagor, or to a third party or parties, the obligation of which is assumed

by the Mortgagor as provided in section 1 of article I of this Mortgage, the Mortgagor will not, without the consent of the holder or holders of not less than a majority in principal amount of the notes at the time outstanding, charge, assign, pledge, mortgage or otherwise encumber any of its property, real or personal, tangible or intangible, wherever situate, which at the time is, or at any time may become, subject to the lien of this Mortgage.

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.

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, without the approval in writing of the holder or holders of not less than a majority in principal amount of the notes at the time outstanding, take or suffer to be taken any steps for reorganization or to consolidate with or merge into any other corporation or to sell, lease or transfer (or make any agreement therefor) the Mortgaged Property, or any part thereof.

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 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 term 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 prescribed by the Rural Electrification Administration for its electric borrowers (hereinafter, as in effect on the date hereof, called 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 39 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 78 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 holder or holders of not less than a majority in principal amount of the notes at the time outstanding (hereinafter sometimes called the "majority noteholders") 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 (such prepayments to be applied to such notes and installments thereof as may be designated by the majority noteholders at the time of any such prepayment), or (ii) immediately deposit the amount of such Deficit in a bank or banks satisfactory to the majority noteholders 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 majority noteholders; provided, however, that, at the direction or with the approval of the majority noteholders, 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, the majority noteholders 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 majority 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 majority noteholders 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 holder or holders of not less than a majority in principal amount of the notes at the time outstanding, 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 the majority noteholders, 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.

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, semi-trailers, 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 majority noteholders as mortgagee 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 majority noteholders or required to conform to the accepted practice of companies of the size and character of the Mortgagor. The Mortgagor will, upon request of the majority noteholders, submit to the majority noteholders 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 majority noteholders 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 majority noteholders 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 the majority noteholders for any loss under such bond shall, unless otherwise directed by the majority noteholders, be applied to the prepayment of the notes (such prepayments to be applied to such notes and installments thereof as may be designated by the majority noteholders at the time of any such prepayment), or to construct or acquire facilities approved by the majority noteholders, 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, any noteholder or noteholders 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

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 mechanics' 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 percentum (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 noteholder or noteholders making such advance or advances upon demand. It shall not be obligatory for any noteholder 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 noteholder acting hereunder shall not be liable to the Mortgagor or any other noteholder except for losses resulting from gross negligence or wilful misfeasance.

SECTION 10. The Mortgagor will not, without the approval in writing of the holder or holders of not less than a majority in principal amount of the notes at the time outstanding: (a) construct, make, lease, purchase or otherwise acquire any extensions or additions to its system or enter into any contract therefor, except such extensions or additions as may be financed with loans evidenced by additional notes; (b) enter into any contract or contracts for the operation or maintenance of all or any part of its property, for the purchase of electric power or energy, for the sale for resale, or for the sale to the ultimate consumer, of electric power and energy in excess of 1,000 kilowatts, or for the use by others of any of its property; (c) 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 (d) 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 holder or holders of not less than a majority in principal amount of the notes at the time outstanding, 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 noteholder not later than the 15th day of each month, or at less frequent intervals when specified by the majority noteholders, 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 the majority noteholders, 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 noteholder, 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 noteholders hereunder, and of its operations for the 12-month period ended on the Fiscal Date, in form and substance satisfactory to the majority noteholders, audited and certified by independent certified public accountants satisfactory to the majority noteholders and accompanied by a report of such audit in form and substance satisfactory to the majority noteholders. Any noteholder, 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 holder or holders of not less than a majority in principal amount of the notes at the time outstanding, make, execute, acknowledge and deliver or cause to be made, executed, acknowledged and delivered all such further and supplemental deeds of trust, mortgages, instruments and conveyances as may reasonably be requested by such noteholder or noteholders, and take or cause to be taken all such further action as may reasonably be requested by such noteholder or noteholders to effectuate the intention of these presents and to provide for the securing and payment of the principal of and interest on the notes and for the purpose of fully conveying, transferring and confirming unto the Mortgagee the property hereby conveyed, mortgaged and pledged, or intended so to be, whether now owned by the Mortgagor or hereafter acquired by it. The Mortgagor will cause this Mortgage and any and all supplemental mortgages and deeds of trust 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 real and personal property in such manner and in such places as may be required by law in order fully to preserve the security for the notes and to perfect and maintain the superior lien of the Underlying Mortgage and of this Mortgage and all supplemental mortgages and deeds of trust and the rights and remedies of the Mortgagee 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 holder or holders of not less than a majority in principal amount of the notes at the time outstanding make, execute, acknowledge and deliver or cause to be made, executed, acknowledge and delivered all such further and supplemental mortgages, instruments and conveyances, and take or cause to be taken all such further action, as may reasonably be requested by such noteholders 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 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 such majority noteholders, 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 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, and to providing and maintaining reasonable working capital for the Mortgagor and a Times Interest Earned Ratio (herein called "TIER") of not less than 1.5 and a Debt Service Coverage (herein called "DSC") of not less than 1.25. The Mortgagor shall give 90 days prior written notice to the majority noteholders of any proposed change in its general rate structure.

For purposes of this section, TIER 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 Net Patronage Capital or Margins (as computed for purposes, to the extent applicable, of Line A.22 on REA Form 7, rev. 10-69, Line A.23 on REA Form 7, rev. 12-70, or Line A.24 on such REA Form 7, rev. 9-72) of the Mortgagor to Interest Expense (as computed for purposes of Line A.14 of REA Form 7) of the Mortgagor and divide the total so obtained by Interest Expense (as so computed) 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) of the Mortgagor over 2% of the Mortgagor's Equities and Margins (as defined in the Uniform System of Accounts) and (2) Net Patronage Capital or Margins shall be determined as if the rates proposed by the Mortgagor had been in effect for each of the three years.

For purposes of this section, DSC 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 Net Patronage Capital or Margins (as computed for purposes, to the extent applicable, of Line A.22 on REA Form 7, rev. 10-69, Line A.23 on REA Form 7, rev. 12-70, or Line A.24 on such Form 7, rev. 9-72) of the Mortgagor and Interest Expense (as computed for purposes of Line A.14 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. 10-69, or Line A.11 on REA Form 7, rev. 12-70 and 9-72), 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 B.34 on REA Form 7, rev. 10-69, Line C.35 on REA Form 7, rev. 12-70, or Line C.34 on such Form 7, rev. 9-72) 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) Net 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 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.

~~REA Form 7, rev. 12-70) of the Mortgagor to Interest Expense (an amount as computed~~
for purposes of Line A.14 of REA Form 7, minus an amount so computed for purposes
of Line A.15 of REA Form 7, rev. 10-65, rev. 10-69 and rev. ~~12-70~~) of the Mortgagor
and divide the total so obtained by Interest Expense (as so computed) of the Mort-
gagor. When changes in rates are proposed by the Mortgagor, or have been made during
the prior three calendar years, FIER shall be determined as above, except "pro forma"
Patronage Capital and Margins as developed by use of the proposed or revised rates
shall be used in lieu of the actual Patronage Capital and Margins for the prior three
~~calendar years.~~

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

For the purpose of this section: (1) 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 member-
ship fee of not in excess of \$25 upon termination of a membership; (2) "Equity"
shall mean the aggregate of Equities and Margins (as such terms are defined in the
Uniform System of Accounts) and Subordinated Indebtedness; and (3) "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 majority noteholders.

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 all noteholders shall consent to other use and application
thereof by the Mortgagor, shall forthwith be applied by the Mortgagor: first, to
the ratable payment of any indebtedness by this Mortgage secured other than principal
of or interest on the notes; second, to the ratable payment of interest which shall
have accrued on the notes and be unpaid; third, to the ratable payment of or on account
of the unpaid principal of the notes, to such installments thereof as may be designated
by the respective noteholders at the time of any such payment; and, fourth, the balance
shall be paid to whosoever shall be entitled thereto; provided, however, that any note-
holder 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 contem-
plated by Account 132.1 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 majority noteholders. 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 majority noteholders shall at any time give notice to the Mortgagor
that in their 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 Contract, as from time to time amended, on its part to be observed or performed.

SECTION 20. The Mortgagor will not, without the written approval of the majority noteholders, 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 the National Rural Utilities Cooperative Finance Corporation, (iii) capital credits resulting from the payment for power and energy purchased and actually received from a generating and transmission cooperative of which the Mortgagor is a member, (iv) loans, deposits, advances, investments, securities and obligations which the Mortgagor has, prior to the date hereof, committed itself to make, purchase or undertake, as the case may be, and as to which the Mortgagor has given the majority noteholders notice in writing prior to the date hereof, and (v) such other loans, deposits, advances, investments and obligations as may from time to time be made, purchased or undertaken by the Mortgagor; provided, however, that the aggregate cost of investments, plus the total unpaid principal amount of loans, deposits, advances and obligations, permitted under this clause (v) shall not 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 21. At all times when any note is held by United States of America, or in the event United States of America shall assign a note without having insured the payment of such note, this Mortgage shall secure payment of such note for the benefit of United States of America or such uninsured holder thereof, as the case may be. Whenever any 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 note United States of America, 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 rights of United States of America under the preceding sentence shall be set forth in all such insured notes.

ARTICLE III

REMEDIES OF THE MORTGAGEE 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 and such default shall continue for thirty (30) days:

(b) 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 the Underlying Mortgage 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;

(c) 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;

(d) 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;

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

(f) 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,

then in each and every case any noteholder may, by notice in writing to the Mortgagor and delivery of a copy thereof to the other noteholders, declare all unpaid principal of and accrued interest on any or all notes held by such noteholder 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 the Underlying Mortgage or in any note or notes to the contrary notwithstanding; provided, however, that if at any time after the unpaid principal of and accrued interest on any of the notes shall have been so declared to be due and payable, all payments in respect of principal and interest which shall have become due and payable by the terms of such note or notes shall be paid to the respective noteholders, and all other defaults hereunder and under the notes shall have been made good or secured to the satisfaction of all of the noteholders, then and in every such case, the noteholder or noteholders who shall have declared the principal of and interest on notes held by such noteholder or noteholders to be due and payable may, by written notice to the Mortgagor and delivery of a copy thereof to the other noteholders, annul such declaration or declarations and waive such default or defaults and the consequences thereof, but no such waiver shall extend to or affect any subsequent default or impair any right consequent thereon.

SECTION 2. If one or more of the events of default shall happen, the holder or holders of not less than a majority in principal amount of the notes at the time outstanding, for itself or themselves, and as the agent or agents of the other noteholders, personally or by attorney, in its or their discretion, may, in so far as not prohibited by law:

(a) 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;

(b) proceed to protect and enforce the rights of the Mortgagee 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 the noteholder or noteholders instituting such action or suit shall

have the right 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 application shall be made for the appointment of a receiver the Mortgagor hereby expressly consents that the court to which such application shall be made may make said appointment; and

(c) 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 at such place in any county in which the property to be sold, or any part thereof, is located, at such time and upon such terms as may be specified in a notice of sale, which shall state the time when and the place where the sale is to be held, shall contain a brief general description of the property to be sold, and shall be given by mailing a copy thereof to the Mortgagor at least fifteen (15) days prior to the date fixed for such sale and by publishing the same once in each week for two successive calendar weeks prior to the date of such sale in a newspaper of general circulation published in said county or, if no such newspaper is published in such county, in a newspaper of general circulation in such county, the first such publication to be not less than fifteen (15) days nor more than thirty (30) days prior to the date fixed for such sale. Any sale to be made under this subparagraph (c) of this section 2 may be adjourned from time to time by announcement at the time and place appointed for such sale or for such adjourned sale or sales, and without further notice or publication the sale may be had at the time and place to which the same shall be adjourned; provided, however, that in the event another or different notice of sale or another or different manner of conducting the same shall be required by law the notice of sale shall be given or the sale shall be conducted, as the case may be, in accordance with the applicable provisions of law.

SECTION 3. If, within thirty (30) days after the holder or holders of not less than a majority in principal amount of the notes at the time outstanding shall have had knowledge of the happening of an event or events of default, such noteholder or noteholders shall not have proceeded to exercise the rights or to enforce the remedies herein or by law conferred upon or reserved to the Mortgagee or to the noteholders, any noteholder, for itself and as the agent of the other noteholders, may proceed forthwith to exercise such rights and to enforce such remedies, but no holder or holders of less than a majority in principal amount of the notes at the time outstanding shall be entitled to exercise any of the rights or to enforce any of the remedies herein or by law conferred upon or reserved to the Mortgagee or to the noteholders, unless the holder or holders of not less than a majority in principal amount of the notes at the time outstanding shall have failed or refused to exercise such rights and to enforce such remedies for a period of thirty (30) days after such holder or holders shall have had knowledge of a happening of an event or events of default. Nothing herein contained shall, however, 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 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, and any noteholder or noteholders may apply in settlement of the purchase price of the property so purchased the portion of the net proceeds of such sale which would be applicable to the payment on account of the principal of and interest on the note or notes held by such noteholder or noteholders, and such amount so applied shall be credited as a payment on account of principal of and interest on the note or notes held by such noteholder or noteholders.

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 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.

SECTION 6. Every right or remedy herein conferred upon or reserved to the Mortgagee 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 shall not be construed as an election.

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, in order to prevent, delay or hinder the enforcement or foreclosure of this Mortgage, or the absolute sale of the Mortgaged Property, or any part thereof, or the final and absolute putting into possession thereof, immediately after such sale, of the purchaser or purchasers thereat, 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.

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 hereunder by the Mortgagor and shall well and truly keep and perform, according to the true intent and meaning of the Underlying Mortgage and of this Mortgage, all covenants in the Underlying Mortgage and 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 Mortgagee and the noteholders shall thereupon cease, determine and become void and the Mortgagee and the noteholders, in such case, on written demand of the Mortgagor but at the Mortgagor's cost and expense, shall enter satisfaction of the Underlying Mortgage and of the Mortgage upon the record. In any event, each noteholder, upon payment in full to him by the Mortgagor of all principal of and interest on any note held by him and the payment and discharge by the Mortgagor of all charges due to such noteholder hereunder, shall execute and deliver to the Mortgagor such instrument of satisfaction, discharge or release as shall be required by law in the circumstances.

ARTICLE V

MISCELLANEOUS

SECTION 1. It is hereby declared to be the intention of the Mortgagor that any electric generating plant or plants and facilities and all electric transmission and distribution lines, or systems and facilities, 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, cross arms, 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 Mortgagee shall pass to and inure to the benefit of the successors and assigns of the Mortgagee 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.

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: Wells Rural Electric Company
P.O. Box 365
Wells, Nevada 89835

As to the Mortgagee: Rural Electrification Administration
Washington, D. C. 20250

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 Mortgagee. The Mortgagor or the Mortgagee 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 shall not affect the remaining portions of this mortgage.

SECTION 6. 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. 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 the Mortgagor has caused this Mortgage to be signed in its name and its corporate seal to be hereunto affixed and attested by its officers thereunto duly authorized, the day and year first above written.

WELLS RURAL ELECTRIC COMPANY

(Seal)

by

President

Attest:

Secretary

Executed by the Mortgagor
in the presence of:

_____ Witnesses

STATE OF NEVADA)
) SS
COUNTY OF)

On this _____ day of _____, 1975, personally appeared _____, a notary public, in and for _____ County, _____ known to me to be the President of Wells Rural Electric Company, that executed the foregoing instrument, and upon oath did depose that he is the officer of Wells Rural Electric Company as above designated; that he is acquainted with the seal of Wells Rural Electric Company that the seal affixed to said instrument is the corporate seal of Wells Rural Electric Company; that the signatures to said instrument were made by the officers of Wells Rural Electric Company as indicated after their signatures; and that Wells Rural Electric Company executed the said instrument freely and voluntarily and for the uses and purposes therein mentioned.

Notary Public in and for _____
County, State of Nevada
Residing at _____

Seal

My Commission expires

