

"Advance" or "Advances" shall mean advances by RUS to Borrower pursuant to the terms and conditions of this Agreement.

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

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

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

"Coverage Ratios" shall mean, collectively, the following financial ratios: (i) TIER of 1.5; (ii) Operating TIER of 1.1; (iii) DSC of 1.25; and Operating DSC of 1.1.

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

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

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

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

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

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

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

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

"Loan Documents" shall mean, collectively, this Agreement, the Mortgage and the Note.

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

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

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

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

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

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

"Note" shall mean a promissory note executed by the Borrower in the form of exhibit A hereto, and any note executed and delivered to RUS to refund, or in substitution for such a note.

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

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

Where:

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

A=Depreciation and Amortization Expense of the Electric System;

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

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

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

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

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

Where:

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

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

B=Patronage capital & operating margins of the Electric System, (which equals operating revenue and patronage capital of Electric System operations, less total cost of electric

service, including Interest Expense on Total Long-Term Debt of the Electric System) plus cash received from the retirement of patronage capital by suppliers of electric power and by lenders for credit extended for the Electric System.

"Payment Notice" shall mean a notice furnished by RUS to Borrower that indicates the precise amount of each payment of principal and interest and the total amount of each payment.

"Permitted Debt" shall have the meaning as defined in section [6.13].

"Prior Loan Contracts" shall have the meaning as defined in section 9.15.

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

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

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

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

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

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

"Termination Date" shall have the meaning as defined in the Note.

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

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

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

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

Article II—Representations and Warranties

Section 2.1. Representations and Warranties.

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

- (a) *Organization; Power, Etc.* The Borrower:
 - (i) is duly organized, validly existing, and in good standing under the laws of its state of incorporation; (ii) is duly qualified to do business and is in good standing in each jurisdiction in which the transaction of its business makes such qualification necessary; (iii) has all requisite corporate and legal power to own and operate its assets and to carry on its business and to enter into and perform the Loan Documents; (iv) has duly and lawfully obtained and maintained all licenses, certificates, permits, authorizations, approvals, and the like which are material to the conduct of its business or which may be