

In the opinion of Foley & Lardner LLP, Bond Counsel, assuming continuous compliance with the terms of the Indenture of Trust described below, under present law, interest on the Bonds is excludable from the gross income of the owners of the Bonds for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on corporations and individuals, and is not taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. See "TAX EXEMPTION" herein for a more detailed discussion of some of the federal income tax consequences of owning the Bonds. The interest on the Bonds is not exempt from present Wisconsin income taxes.

\$9,000,000

**PUBLIC FINANCE AUTHORITY
FIXED RATE REVENUE BONDS, SERIES 2010A
(CENTRAL WISCONSIN ELECTRIC COOPERATIVE)**

DATED	Date of Issuance
ISSUANCE	The Public Finance Authority (the "Issuer") will issue the Bonds through a book-entry system under an Indenture of Trust dated as of December 1, 2010 (the "Indenture"), between the Issuer and U.S. Bank National Association, as trustee.
PRICING AND PAYMENT TERMS	Maturities, interest rates, prices and yields and certain other information is set forth on the inside front cover.
INTEREST PAYMENT DATES	Interest on the Bonds is payable on June 1 and December 1 of each year, commencing June 1, 2011.
REDEMPTION.....	The Bonds are subject to redemption prior to maturity under certain circumstances. See " <i>THE BONDS – Redemption.</i> "
BOOK ENTRY ONLY.....	The Bonds will be in fully registered form and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Purchases of interests in the Bonds will be made only in book-entry form and purchasers will not receive certificates representing their interests in the Bonds. So long as Cede & Co. is the registered owner, as nominee of DTC, references herein to the Bondowners or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the beneficial owners of the Bonds.
DENOMINATIONS	The Bonds will be issued in authorized denominations of \$5,000 or any multiple thereof.
USE OF PROCEEDS	The Issuer will lend the proceeds from the sale of the Bonds to Central Wisconsin Electric Cooperative, a Wisconsin cooperative association (the "Borrower"), which plans to use the proceeds (i) to fund the acquisition, construction, renovation and equipping of the projects described in Appendix A-1 hereto and (ii) to pay certain costs associated with the issuance of the Bonds. See " <i>PLAN OF FINANCING</i> ".
GUARANTY AGREEMENT	The payment when due of the principal of, and interest on, the Bonds will be unconditionally guaranteed by National Rural Utilities Cooperative Finance Corporation, a cooperative association incorporated under the laws of the District of Columbia (the "Guarantor") pursuant to a Guaranty Agreement dated as of December 1, 2010 (the "Guaranty Agreement"). See " <i>GUARANTY AGREEMENT</i> " and <i>Appendix B</i> hereto.
RELIANCE ON GUARANTY AGREEMENT	Except for the limited descriptions of the Borrower contained herein and the financial statements attached as Appendix A-2 hereto, very little information with respect to the Borrower (financial or otherwise) is included herein, and the Borrower makes no representation herein concerning its future financial condition. Potential investors should base their investment decisions with respect to the Bonds solely upon the credit of the Guarantor.
PRIOR OFFERING DOCUMENT	The Bonds are being offered solely under this Official Statement, which replaces the Preliminary Limited Offering Memorandum dated October 28, 2010 with respect to the Bonds. The Bonds are no longer being offered under the Prior Limited Offering Memorandum dated October 28, 2010.
LIMITED OBLIGATION ..	THE BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER AND ARE NOT A DEBT OR LIABILITY OF ANY MEMBER OF THE ISSUER, THE STATE OF WISCONSIN, OR ANY POLITICAL SUBDIVISION OR AGENCY THEREOF OTHER THAN THE ISSUER. THE SOURCE OF PAYMENT AND SECURITY FOR THE BONDS IS MORE FULLY DESCRIBED HEREIN. THE ISSUER HAS NO TAXING POWER.

The Bonds are offered when, as and if issued and received by the Underwriter, subject to prior sale, to withdrawal or modifications of the offer without any notice, and to the approval of legality of the Bonds by Foley & Lardner LLP, Bond Counsel. Certain legal matters will be passed upon for the Issuer by its counsel, Eichner & Norris PLLC, for the Borrower by its counsel, Wheeler, Van Sickle & Anderson, S.C., for the Guarantor by its counsel, Hogan Lovells US LLP, and for the Underwriter by its counsel, Foley & Lardner, LLP. It is expected that the Bonds will be available for delivery via The Depository Trust Company, New York, New York on or about December 15, 2010.

BAIRD

The date of this Official Statement is December 2, 2010

\$9,000,000
Public Finance Authority
Fixed Rate Revenue Bonds, Series 2010A
(Central Wisconsin Electric Cooperative)

Pricing and Payment Terms

\$935,000 Serial Bonds

Maturity (December 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP[†] Number
2011	\$ 155,000	2.000%	1.650%	100.332%	976831AK3
2012	150,000	2.000%	1.900%	100.191%	976831AL1
2013	150,000	2.500%	2.100%	101.142%	976831AM9
2014	155,000	3.000%	2.450%	102.063%	976831AN7
2015	160,000	3.000%	2.700%	101.383%	976831AP2
2016	165,000	3.500%	3.000%	102.709%	976831AQ0

\$8,065,000 Term Bonds

Maturity (December 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP[†] Number
2020	\$ 745,000	4.000%	4.150%	98.784%	976831AR8
2030	2,665,000	5.250%	5.350%	98.779%	976831AS6
2040	4,655,000	5.500%	5.650%	97.842%	976831AT4

[†] Copyright 2010, American Bankers Association. CUSIP data herein is provided by Standard & Poor's CUSIP Service Bureau, a division of the McGraw-Hill Companies, Inc. The CUSIP numbers are provided for convenience and reference only. Neither the Borrower nor the Issuer is responsible for the selection or use of the CUSIP numbers, nor is any representation made as to their correctness on the Bonds or as indicated above.

REGARDING USE OF THIS OFFICIAL STATEMENT

No dealer, broker, sales representative, or other person has been authorized by the Issuer, the Borrower, or Robert W. Baird & Co. Incorporated (the “*Underwriter*”) to give information or to make any representations with respect to the Bonds except as expressly set forth in this Official Statement, and if given or made, any such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, and there shall not be any sale of the Bonds by any person in any jurisdiction, in which it is unlawful for such person to make such offer, solicitation, or sale. Certain information contained herein has been obtained from the Underwriter, the Guarantor, The Depository Trust Company, and other sources which are believed to be reliable, but is not guaranteed as to adequacy, accuracy, or completeness by, and is not to be construed to be the representations of, the Issuer or the Borrower. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change since the date hereof in the business affairs or financial condition of the parties referred to herein.

Except for the limited descriptions of the Borrower contained herein and the financial statements attached as Appendix A-2 hereto, very little information with respect to the Borrower (financial or otherwise) is included herein, and the Borrower makes no representation herein concerning its future financial condition. Potential investors should base their investment decisions with respect to the Bonds solely upon the credit of National Rural Utilities Cooperative Finance Corporation (the “*Guarantor*”), as the issuer of the Guaranty Agreement securing the Bonds.

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING STATEMENTS IN THIS OFFICIAL STATEMENT

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “anticipate,” “estimate,” or other similar words.

The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties, and other factors which may cause actual results, performance, or achievements described to be materially different from any future results, performance, or achievements expressed or implied by such forward-looking statements. The Borrower does not plan to issue any updates or revisions to those forward-looking statements if or when expectations, events, conditions, or circumstances change.

In connection with this offering, the Underwriter may over allot or effect transactions that stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The Bonds have not been registered under the Securities Act of 1933, as amended, and the Indenture has not been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon certain exemptions contained in such federal laws. In making an investment decision, investors must rely upon their own examination of the Bonds and the security therefor, including an analysis of the risks involved. The Bonds have not been recommended by any federal or state securities commission or regulatory authority. The registration, qualification, or exemption of the Bonds in accordance with applicable provisions of securities laws of the various jurisdictions in which the Bonds have been registered, qualified, or exempted cannot be regarded as a recommendation thereof. Neither such jurisdictions nor any of their agencies have passed upon the merits of the Bonds or the adequacy, accuracy, or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

The CUSIP numbers included in this Official Statement are for the convenience of the Owners of the Bonds. No assurance can be given that the CUSIP numbers for the Bonds will remain the same after the date of issuance and delivery of the Bonds.

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OFFICIAL STATEMENT

\$9,000,000

**PUBLIC FINANCE AUTHORITY
FIXED RATE REVENUE BONDS, SERIES 2010A
(CENTRAL WISCONSIN ELECTRIC COOPERATIVE)**

INTRODUCTION

This Official Statement is provided to furnish information in connection with the sale by the Public Finance Authority, a body corporate and politic under the laws of the State of Wisconsin (the “*Issuer*”), of \$9,000,000 in aggregate principal amount of its Fixed Rate Revenue Bonds, Series 2010A (Central Wisconsin Electric Cooperative) (the “*Bonds*”) to be issued under an Indenture of Trust (the “*Indenture*”) from the Issuer to U.S. Bank National Association, as trustee (the “*Trustee*”) dated as of December 1, 2010.

Capitalized terms used and not defined herein are defined in *Appendix C* hereto. The descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each such document for the complete details of its terms and conditions. All statements herein relating to such documents are qualified in their entirety by reference to each such document. Copies of such documents will be available through the Date of Issuance at the office of the Underwriter and thereafter at the principal corporate trust office of the Trustee.

The Borrower

Concurrently with the issuance of the Bonds, Central Wisconsin Electric Cooperative (the “*Borrower*”) and the Issuer will enter into a Loan Agreement, dated as of December 1, 2010 (the “*Loan Agreement*”), under which the proceeds to be received by the Issuer from the sale of the Bonds will be lent to the Borrower. The Borrower is an electric utility in central Wisconsin, servicing approximately 8,000 members in the Wisconsin Counties of Marathon, Shawano, Portage, and Waupaca. See “*THE BORROWER AND THE PROJECT*” and *Appendix A-1* hereto for a more detailed description of the Borrower, its operations, and its financial condition.

Purposes of the Bonds and the Project

The proceeds of the Bonds, together with the earnings thereon and other moneys of the Borrower, will be used to finance the construction of an office building in Rosholt, Wisconsin and various other improvements to the Borrower’s existing electric distribution system and related financing costs. See “*THE BORROWER AND THE PROJECT*,” “*PLAN OF FINANCING*,” and “*ESTIMATED SOURCES AND USES OF FUNDS*.”

Security for the Bonds

The Bonds will be limited obligations of the Issuer, payable solely from revenues received by the Trustee for the account of the Issuer under the Loan Agreement and the Indenture. The Bonds will be secured by (i) all payments and prepayments by the Borrower on the Promissory Note or pursuant to the Loan Agreement (except for the Issuer’s fees and expenses and its right to indemnification in certain circumstances), (ii) the Guaranty Agreement, and (iii) other money and investments held by the Trustee under the Indenture and the investment earnings thereon (collectively, the “*Pledged Revenues*”). See “*SECURITY AND SOURCE OF PAYMENT FOR THE BONDS*.”

As evidence of the borrowing under the Loan Agreement, the Borrower will issue its Promissory Note, Series 2010A (the “*Promissory Note*”) in an aggregate principal amount equal to the principal amount of the Bonds. The terms of the Promissory Note will require payments by the Borrower that in the aggregate will be sufficient to provide for the timely payment of the principal of, and interest on, the Bonds. The Promissory Note will be an unsecured obligation of the Borrower. The Issuer will pledge and assign the Promissory Note and certain of its rights under the Loan Agreement to the Trustee as security for the Bonds.

Concurrently with the issuance of the Bonds, National Rural Utilities Cooperative Finance Corporation, a cooperative association incorporated under the laws of the District of Columbia (the “*Guarantor*”), will deliver its unconditional guaranty of the payment when due of the principal of, and interest on, the Bonds, pursuant to a Guaranty Agreement dated as of December 1, 2010 (the “*Guaranty Agreement*”) executed by the Guarantor in favor of the Trustee. The Guaranty Agreement does not guarantee the principal of, or interest on, the Bonds coming due by reason of acceleration or optional redemption to which the Guarantor does not consent. See “*GUARANTY AGREEMENT*” and *Appendix B* hereto for a more detailed description of the Guaranty Agreement and the Guarantor. The Indenture grants the Guarantor certain approval, consent, and waiver rights with respect to certain actions that the Bondowners are otherwise authorized to take under the Indenture. See “*GUARANTY AGREEMENT- Rights of the Guarantor with Respect to the Bonds*” and *Appendix C* for a summary of such provisions.

Borrowers’ Risks

There are risks associated with the purchase of the Bonds. See the information under the heading “*BORROWERS’ RISKS*” for a discussion of certain of these risks.

THE BONDS

The following is a summary of certain provisions of the Bonds. Reference is made to the Indenture and to the summary of the Indenture included in *Appendix C* hereto for a more complete description of the Bonds. Reference is also made to “*SUMMARY OF INDENTURE AND LOAN AGREEMENT – Definitions of Certain Terms*” in *Appendix C* for the definitions of certain terms used in the following summary. The discussion herein is qualified in all respects by those references.

General

The Bonds will be dated the Date of Issuance and will bear interest at the rates and mature (subject to the redemption provisions described below) in the amounts and on the dates set forth on the inside cover of this Official Statement. Interest on the Bonds will be payable each June 1 and December 1, commencing June 1, 2011. Interest on the Bonds shall be calculated on a 360-day year on the basis of twelve 30-day months. The Bonds will be issued in minimum authorized denominations of \$5,000 or any multiple thereof.

The principal of, and interest on, the Bonds shall be payable by the Issuer solely from the Pledged Revenues. The Pledged Revenues are pledged by the Issuer, and a security interest in the Pledged Revenues is granted under the Indenture, to the Trustee to secure the payment of the principal of, and interest on, the Bonds. The payment of the principal of, and interest on, the Bonds is also guaranteed by the Guarantor pursuant to the Guaranty Agreement.

Bonds in Book-Entry Form

Beneficial ownership in the Bonds will be available to Beneficial Owners (as described below) only by or through DTC Participants via a book-entry system (the “*Book-Entry System*”) maintained by The Depository Trust Company (“*DTC*”), New York, NY. If the Bonds are taken out of the Book-Entry System and delivered to owners in physical form, as contemplated hereinafter under “*Discontinuance of DTC Services*,” the following discussion will not apply to the Bonds. Information concerning DTC and the Book-Entry System has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Issuer, the Underwriter, the Trustee, or the Borrower.

DTC and its Participants

DTC acts as securities depository for the Bonds. The Bonds have been issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee). One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("*Direct Participants*") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("*DTCC*"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("*Indirect Participants*"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("*Beneficial Owner*") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede &

Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or the Trustee on payment dates in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

Discontinuance of DTC Services

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered. For a description of the method of payment of principal of, and interest on, the Bonds in the event the Book-Entry System is discontinued, as well as the provisions relating to registration, transfer, and exchange of the Bonds in such event, see *Appendix C*.

The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

Use of Certain Terms in Other Sections of the Official Statement

While the Bonds are in the Book-Entry System, reference in other sections of this Official Statement to owners of such Bonds should be read to include any person for whom a Participant acquires an interest in Bonds, but (i) all rights of ownership, as described herein, must be exercised through DTC and the Book-Entry System and (ii) notices that are to be given to registered owners by the Trustee will be given only to DTC. DTC is required to forward (or cause to be forwarded) the notices to the Participants by its usual procedures, which should allow Participants to forward (or cause to be forwarded) such notices to the Beneficial Owners.

Disclaimer

None of the Issuer, the Borrower, nor the Trustee have any responsibility or obligation to any DTC Participant, Indirect Participant, or any Beneficial Owner or any other person with respect to: (i) the accuracy of any records maintained by DTC or any DTC Participant or Indirect Participant, (ii) the payment by DTC or any DTC Participant or Indirect Participant of any amount due to any Beneficial Owner in respect of the principal or redemption price of or interest on the Bonds, (iii) the delivery by DTC or any DTC Participant or Indirect Participant of any notice to any Beneficial Owner which is required or permitted under the terms of the Indenture to be given to Owners of Bonds, (iv) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Bonds, or (v) any consent given or other action taken by DTC as an Owner of the Bonds.

The Issuer, the Borrower, and the Trustee cannot and do not give any assurances that DTC, the DTC Participants, or the Indirect Participants will distribute to the Beneficial Owners of the Bonds (i) payments of principal or redemption price of or interest on the Bonds, (ii) certificates representing an ownership interest or other confirmation of Beneficial Ownership interests in Bonds, or (iii) redemption or other notices sent to DTC or Cede & Co., its nominee, as the Registered Owner of the Bonds, or that they will do so on a timely basis or that DTC, DTC Participants, or Indirect Participants will serve and act in the manner described in this Official Statement. The

current “Rules” applicable to DTC are on file with the Securities and Exchange Commission, and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

Redemption

Optional Redemption. The Bonds are subject to redemption by the Issuer, at the direction of Borrower, with the consent of the Guarantor, upon the Borrowers’ exercise of its option to prepay the Promissory Note, on or after December 1, 2020, in whole or in part, on any Business Day, at the redemption price equal to 100% of the principal amount thereof, without premium, plus accrued interest thereon to the redemption date.

Extraordinary Optional Redemption. Upon the occurrence of an event described in the Loan Agreement relating to casualty losses, condemnation, and other extraordinary events, the Bonds may be redeemed by the Issuer at the direction of the Borrower upon the Borrower’s exercise of its option to prepay the Promissory Note and with the consent of the Guarantor, in whole or in part, on any Business Day, at a redemption price equal to 100% of the principal amount thereof, without premium, plus accrued interest thereon to the redemption date. See *Appendix C – “LOAN AGREEMENT – Prepayment of Promissory Note Upon Occurrence of Certain Extraordinary Events”*.

Mandatory Redemption Upon a Determination of Taxability. Upon the occurrence of a Determination of Taxability with respect to the Bonds, the Borrower is required to prepay the Promissory Note, and the Bonds shall be called for redemption at a redemption price equal to 100% of the principal amount thereof, without premium, on the earliest practicable Interest Payment Date, either in whole or in part, in such principal amount that, upon such redemption, the interest payable on such Bonds remaining outstanding after such redemption would not be includible for federal income tax purposes in the gross income of the Owners thereof.

Mandatory Redemption of the Bonds from Unused Proceeds. The Bonds are subject to redemption from moneys remaining in the Project Fund upon the closing thereof under the Loan Agreement, at a redemption price equal to 100% of the principal amount of the Bonds so redeemed, plus accrued interest to the redemption date. The principal amount of the Bonds to be redeemed shall be the largest multiple of \$5,000 that can be paid from the amount so transferred. The Borrower is required to prepay the Promissory Note to the extent that Bonds are required to be so redeemed.

Mandatory Sinking Fund Redemption of Term Bonds. The Term Bonds are subject to redemption prior to their stated maturity dates in part, by lot, from Mandatory Sinking Fund Payments. The Bonds in the original principal amount of \$745,000 which mature on December 1, 2020 are referred to herein as the “2020 Term Bonds”. The Bonds in the original principal amount of \$2,665,000 which mature on December 1, 2030 are referred to herein as the “2030 Term Bonds”. The Bonds in the original principal amount of \$4,655,000 which mature on December 1, 2040 are referred to herein as the “2040 Term Bonds”. The 2020 Term Bonds, the 2030 Term Bonds and the 2040 Term Bonds (collectively, the “Term Bonds”) shall be redeemed prior to their stated maturity dates (or paid at maturity, as the case may be) at a Redemption Price equal to 100% of the principal amount of Bonds called for redemption, together with interest accrued thereon to the date fixed for redemption, without premium, by application of Mandatory Sinking Fund Payments in the following amounts and on the following dates:

<u>2020 Term Bonds</u>	
Mandatory Sinking Fund Payment Dates (December 1)	<u>Principal Amounts</u>
2017	\$175,000
2018	\$180,000
2019	\$190,000
2020*	\$200,000

* Stated Maturity

2030 Term Bonds

Mandatory Sinking Fund Payment Dates (December 1)	<u>Principal Amounts</u>
2021	\$205,000
2022	\$220,000
2023	\$230,000
2024	\$245,000
2025	\$255,000
2026	\$270,000
2027	\$285,000
2028	\$300,000
2029	\$320,000
2030*	\$335,000

* Stated Maturity

2040 Term Bonds

Mandatory Sinking Fund Payment Dates (December 1)	<u>Principal Amounts</u>
2031	\$355,000
2032	\$375,000
2033	\$400,000
2034	\$420,000
2035	\$445,000
2036	\$475,000
2037	\$500,000
2038	\$530,000
2039	\$560,000
2040*	\$595,000

* Stated Maturity

The principal amount of the Bonds to be redeemed on any particular Mandatory Sinking Fund Payment Date may, at the option of the Borrower, be reduced by the principal amount of any Bonds which (i) have been redeemed as described above under *Optional Redemption*, *Extraordinary Optional Redemption*, or *Mandatory Redemption of the Bonds from Unused Proceeds* at least 60 days prior to such Mandatory Sinking Fund Payment Date, and (ii) have not previously formed the basis for such reduction.

Procedure for Redemption. In the event of optional redemption, extraordinary optional redemption, or mandatory redemption from unused proceeds with respect to less than all the Bonds, the Borrower shall select the Stated Maturity or Stated Maturities of the Bonds to be redeemed. If less than all the Bonds shall be called for redemption, the Bonds to be redeemed shall be selected by the Trustee in \$5,000 units in such manner as the Trustee in its discretion shall deem fair and which may provide for partial redemption (in multiples of \$5,000) of any Bond; provided that no partial redemption shall leave Outstanding a Bond that is not in an Authorized Denomination.

Any Bonds selected for redemption which are deemed to be paid in accordance with the provisions of the Indenture will cease to bear interest on the date fixed for redemption.

On presentation and surrender of Bonds called for redemption at the place or places of payment, such Bonds shall be paid and redeemed. Notice of redemption shall be given in the manner set forth in the Indenture by

mail at least 30 days prior to the redemption date, provided that the failure to duly give such notice, or defects therein, shall not affect the validity of the proceedings for redemption of any Bond not affected by such defect or failure.

With respect to notice of any optional or extraordinary optional redemption of Bonds, or mandatory sinking fund redemption of Term Bonds, as described above, unless moneys or Government Obligations shall be received by the Trustee prior to the giving of said notice sufficient to pay the principal of, and interest on, the Bonds to be redeemed, said notice shall state that said redemption shall be conditional upon the receipt of such moneys by the Trustee on or prior to the date fixed for such redemption. If such moneys or Government Obligations shall not have been so received, said notice shall be of no force and effect, the Issuer shall not redeem such Bonds, and the Trustee shall give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

SECURITY AND SOURCE OF PAYMENT FOR THE BONDS

The Bonds are limited obligations of the Issuer and are payable solely from the Trust Estate pledged for their payment under the Indenture. The Bonds are not a debt or liability of the State, any Member of the Issuer, or of any political subdivision approving the issuance of the Bonds. The Bonds do not, directly, indirectly or contingently, obligate, in any manner, any Member of the Issuer, the State or any political subdivision thereof to levy any tax or to make any appropriation for payment of the Bonds. Neither the faith and credit nor the taxing power of any Member, any political subdivision approving the issuance of the Bonds, nor the faith and credit of the Issuer shall be pledged to the payment of the principal of or interest on the Bonds. The Issuer has no taxing power. For a more detailed discussion of the Issuer and its Members see "*THE ISSUER*" herein.

The rights of the Issuer in and to the Promissory Note, and in, to, and under the Loan Agreement (other than the Issuer's rights to receive fees and expenses and to indemnification in certain circumstances) will be assigned to the Trustee to secure the payment of principal of, and interest on, the Bonds. The Borrower agrees under the Loan Agreement to make its payments on the Promissory Note directly to the Trustee.

The Promissory Note will be issued in a principal amount equal to the principal amount of the Bonds. The Promissory Note will be delivered to the Issuer and assigned by the Issuer to the Trustee. The Loan Agreement provides that the Borrower is required to make designated payments to the Trustee in amounts sufficient to pay the principal of, and interest on, the Bonds when due. The Borrower's obligation to make payments on the Promissory Note will be satisfied to the extent that payments are made by the Borrower under the Loan Agreement and the Borrower will receive similar credit under the Loan Agreement for payments made on the Promissory Note. The Promissory Note will be an unsecured, general obligation of the Borrower.

To further secure the payment of the Bonds, the Issuer will cause the Guarantor to execute and deliver the Guaranty Agreement in favor of the Trustee. See "*GUARANTY AGREEMENT*" herein and *Appendix B* hereto.

PLAN OF FINANCE

The proceeds of the Bonds will be used, together with earnings thereon and other moneys of the Borrower, to provide financing for the Project and to pay costs of issuance of the Bonds. The Project consists of the construction of an office building in Rosholt, Wisconsin and various other improvements to the Borrower's existing electric distribution system and related financing costs. See "*THE BORROWER AND THE PROJECT*" and *Appendix A-1* hereto for a more detailed description of the Project.

ESTIMATED SOURCES AND USES OF FUNDS

The estimated sources and uses of funds required in connection with the Project are anticipated to be as follows:

Sources:

Par Amount of the Bonds	\$9,000,000.00
Original Issue Discount	\$129,659.35
<u>Total Sources</u>	<u>\$8,870,340.65</u>

Uses:

Deposit to the Project Fund	\$8,692,933.84
Issuance Expenses ⁽¹⁾	177,406.81
<u>Total Uses</u>	<u>\$8,870,340.65</u>

⁽¹⁾ Included in this amount are the estimated fees and expenses of the Underwriter, the Trustee, Bond Counsel, and Counsel to the Borrower, the Underwriter, and the Issuer, the cost of printing the Preliminary Official Statement and the Official Statement, the Guaranty fees, rating agency fees, and other miscellaneous costs incurred in connection with the issuance of the Bonds.

THE BORROWER AND THE PROJECT

The Borrower

The Borrower, a Wisconsin cooperative association, is an electric utility in central Wisconsin, servicing approximately 8,000 members in the Wisconsin Counties of Marathon, Shawano, Portage, and Waupaca. See *Appendix A* for a more detailed description of the Borrower.

In the Loan Agreement, the Borrower covenants, among other things, to provide the Trustee with annual audited financial statements and to maintain its corporate existence. In certain circumstances, the Borrower may be permitted to consolidate with or merge into another entity or to transfer of all or substantially all assets, provided that it complies with the provisions of the Loan Agreement relating to such transactions. See *Appendix C – “LOAN AGREEMENT – Maintenance of Existence; Merger; Consolidation; Transfer of Assets”* for a summary of these provisions.

The Project

The proceeds of the Bonds will be used for the construction of an office building in Rosholt, Wisconsin and for various other improvements to the Borrower’s existing electric distribution system (the “*Project*”) and related financing costs. The Project will include construction of a new headquarters building and related facilities and equipment in Rosholt, Wisconsin, which will provide offices for the Borrower’s employees and warehouse and equipment storage facilities for most of the Borrower’s trucks and other vehicles. The Project will also include replacement and/or construction of overhead and underground electric lines in various portions of Portage, Marathon, Shawano, and Waupaca counties in Wisconsin, and equipment upgrades to the Borrower’s electric distribution substations in those counties.

In the Loan Agreement, the Borrower covenants to (i) cause the Facilities to be maintained, preserved, and kept in good repair, working order and condition and from time to time to cause to be made all necessary and proper repairs, replacements, and renewals to the Facilities and (ii) to maintain insurance on the property comprising the Project (the “*Project Property*”) as is customarily carried by other utility companies with respect to similar facilities. The Borrower is permitted to sell or transfer the Project Property, provided that it complies with the provisions of the Tax Compliance Agreement and the Loan Agreement relating to such sale or transfer.

BONDOWNERS' RISKS

The following discussion of risk factors should be read in conjunction with all other parts of this Official Statement. This discussion of risk factors is not, and is not intended to be, exhaustive.

Limited Obligations

The Bonds and the interest thereon are limited obligations of the Issuer and will not constitute general obligations of the Issuer, any Member of the Issuer, or the State of Wisconsin, or any political subdivision thereof within the meaning of any State of Wisconsin constitutional provision or statutory limitation and shall not be a charge against the general credit or taxing powers (if any) of any of them. The Issuer is obligated to make payments on the Bonds only to the extent of payments made by the Borrower on the Promissory Note or from any amounts received pursuant to the Guaranty Agreement. The Borrower's ability to repay the Bonds will depend on the overall financial condition of the Borrower, and the Guarantor's ability to make payments pursuant to the Guaranty Agreement will depend on the overall financial condition of the Guarantor.

Risks Related to the Business of the Borrower Generally

Timely payment of all indebtedness of the Borrower, including debt service owing on the Bonds, will depend on the Borrower's operations, revenues therefrom, and ability to generate revenues sufficient to pay all operating expenses and debt service. The Borrower's revenues depend upon its sales of electric energy to its member-consumers within its established service territory. The Borrower's Board of Directors (elected from and by its members) currently determines its rates and terms of service, without regulation by the Public Service Commission of Wisconsin. While retail competition among electric utilities is not currently allowed or proposed in Wisconsin, there is no assurance that this will not change. It is also possible that electric cooperatives in Wisconsin could come under increasing state regulation in the future. The wholesale electric market from which the Borrower obtains its wholesale energy supplies has become volatile, and that may affect the availability and pricing of future wholesale energy supplies available to the Borrower. The Borrower cannot predict what effects such potential changes in retail competition, increased regulation, or wholesale energy supply may have on its business operations and financial condition, but the effects could be significant. For a further description of factors that could affect the Borrower's financial standing and operations in the future, see "*Forward-Looking Statements*" in this Official Statement.

Guaranty Agreement

The ability of the Guarantor to honor its obligations under the Guaranty Agreement will be based solely on the Guarantor's general credit.

There can be no assurance that the credit strength of Guarantor will be maintained. A decline in the credit rating of the Guarantor could result in a decline in the rating assigned to the Bonds from time to time. Such a decline could in turn affect the market price and marketability of the Bonds. For more information concerning the Guarantor, see *Appendix B* hereto.

Taxation of Interest on the Bonds

Because the existence and continuation of the excludability of the interest on the Bonds from federal gross income of the owners thereof depends upon events occurring after the date of issuance of the Bonds, the opinion of Bond Counsel described under the caption "*TAX EXEMPTION*" herein assumes the compliance by the Borrower and the Trustee with applicable provisions of the Internal Revenue Code and the regulations relating thereto. No opinion is expressed by Bond Counsel with respect to the excludability of the interest on the Bonds in the event of noncompliance with such provisions. The failure of the Borrower to comply with applicable provisions of the Internal Revenue Code and the regulations thereunder may cause the interest on Bonds to become includable in gross income of the owners thereof as of the date of issuance.

Enforceability of Remedies

All legal opinions with respect to the enforceability of the Indenture and Loan Agreement will be expressly subject to a qualification that enforceability thereof may be limited by bankruptcy, reorganization, insolvency, moratorium, fraudulent conveyance or other similar laws affecting creditors' rights generally, and by applicable principles of equity if equitable remedies are sought.

Amendment of the Indenture and the Loan Agreement

Certain amendments to the Indenture and the Loan Agreement may be made without the consent of Bondowners, and other amendments thereto may be made with the consent of the Owners of a majority in aggregate principal amount of the outstanding Bonds. Such amendments may adversely affect the security of the Bondowners. See *Appendix C - "INDENTURE, "- Supplemental Indentures Not Requiring Consent of Bondowners," "- Supplemental Indentures Requiring Consent of Bondowners," "- Amendments, etc. to Loan Agreement, Promissory Note or Guaranty Agreement Not Requiring Consent of Bondowners," and "- Amendments, etc. to Loan Agreement, Promissory Note or Guaranty Agreement Requiring Consent of Bondowners."*

GUARANTY AGREEMENT

Concurrently with the issuance of the Bonds, the Guarantor will execute the Guaranty Agreement with respect to the Bonds in favor of the Trustee. The Guaranty Agreement guarantees the scheduled payment of that portion of the principal of, and interest on, the Bonds that has become due for payment, but shall be unpaid by reason of nonpayment by the Issuer, as set forth in the Guaranty Agreement. See *Appendix B* for a more detailed description of the Guarantor.

Rights of the Guarantor with Respect to the Bonds.

The Indenture grants the Guarantor certain approval, consent, and waiver rights. In certain circumstances, the Trustee and the Issuer, without the consent of the Bondowners, may amend the Indenture, provided the consent of the Guarantor has been obtained. Further, in certain circumstances, the Trustee may consent to the amendment of the Loan Agreement without the consent of the Bondowners, provided the consent of the Guarantor has been obtained. See *Appendix C -INDENTURE- "Supplemental Indentures with Consent of Bondowners;" "- Amendments, etc., to Loan Agreement, Promissory Note, or Guaranty Agreement requiring Consent of Bondowners."*

The Indenture also requires the consent of the Guarantor in certain circumstances in addition to the consent of Bondowners, grants the Guarantor the right to pay accelerated Bonds, and requires that the Guarantor receive notice of certain events including defaults, redemptions, resignations of the Trustee or Paying Agent, and copies of all reports, notices, and correspondence delivered under the Indenture or Loan Agreement. See *Appendix C - "INDENTURE- Additional Rights of the Guarantor"*.

THE ISSUER

Formation and Governance of the Issuer

2009 Wisconsin Act 205 (the "*Act*") was passed by both the Senate and the Assembly of the State of Wisconsin (the "*State*") in early 2010 and was signed into law by the Governor of the State on April 21, 2010. The *Act* added Section 66.0304 to the Wisconsin Statutes providing the authority for two or more political subdivisions to create a commission to issue bonds under that Section of the Wisconsin Statutes. Before an agreement for the creation of such a commission can take effect, the *Act* requires that such agreement be submitted to the Attorney General of the State who shall determine whether the agreement is in proper form and compatible with the laws of the State. The Issuer was formed upon execution of a Joint Exercise of Powers Agreement Relating to the Public Finance Authority dated as of June 30, 2010 as amended by an Amended and Restated Joint Exercise of Powers Agreement Relating to the Public Finance Authority dated September 28, 2010 (the "*Agreement*") among Adams County, Wisconsin, Bayfield County, Wisconsin, Marathon County, Wisconsin, Waupaca County, Wisconsin, and

the City of Lancaster, Wisconsin (each a “*Member*” and, collectively, the “*Members*”). The Agreement was submitted to the Attorney General of the State of Wisconsin (the “*State*”) and was approved by the Attorney General on September 30, 2010. The Act also provides that only one commission may be formed thereunder.

Pursuant to the Act, the Issuer is a unit of government and a body corporate and politic separate and distinct from, and independent of, the State and the Members. The Issuer was established by local governments, primarily for local governments, for the public purpose of providing local governments a means to efficiently, and reliably finance projects that benefit local governments, nonprofit organizations, and other eligible private borrowers in Wisconsin and throughout the country.

The Bonds and the Issuer’s Fixed Rate Revenue Bonds, Series 2010A (Adams-Columbia Electric Cooperative) represent the first two series of bonds issued by the Issuer.

Powers

Under the Act, the Issuer has all of the powers necessary or convenient to any of the purposes of the Act, including the power to issue bonds or refunding bonds to finance or refinance a project, make loans to, lease property from or to enter into agreements with a participant or other entity in connection with financing a project. The proceeds of bonds issued by the Issuer may be used for a project in the State of Wisconsin or any other state. The Act defines “project” as any capital improvement, purchase of receivables, property, assets, commodities, bonds or other revenue streams or related assets, working capital program, or liability or other insurance program, located within or outside of the State. Financing for all projects, inside and outside the State of Wisconsin, requires approval from a political subdivision within whose boundaries the project is located. Financing for projects in the State of Wisconsin must be approved by all of the political subdivisions within whose boundaries the project is located. For this reason, sixteen separate political subdivisions in the State have approved the issuance of the Bonds.

Board of Directors of the Issuer

The Board of Directors (the “*Board*”) consists of seven directors (each a “*Director*” and, collectively, the “*Directors*”), a majority of which are required to be public officials or current or former employees of a political subdivision located in the State. The Directors serve staggered three-year terms. Directors are selected by majority vote of the Board based upon nomination from the organization that nominated the predecessor Director. Four Directors are nominated by the Wisconsin Counties Association, and one Director is nominated from each of the National League of Cities, the National Association of Counties, and the League of Wisconsin Municipalities. Directors and alternate Directors may be removed and replaced at any time by the Board upon recommendation of the applicable organization that nominated the Director. The current Directors are:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>	<u>Position</u>
Keith Langenhahn	Chair	June 1, 2013	Marathon County, Wisconsin Board Chair
William Kacvinsky	Vice Chair	June 1, 2012	Bayfield County, Wisconsin, Board Chair
Jerome Wehrle	Secretary	June 1, 2012	Mayor, City of Lancaster, Wisconsin
Jeannie Garner	Member	June 1, 2011	Director of Insurance and Financial Services, Florida League of Cities
Shelby Scharbach	Member	June 1, 2011	Maricopa County, Arizona, Finance Director
Heidi Dombrowski	Member	June 1, 2013	Waupaca County, Wisconsin Finance Director
John West	Member	June 1, 2013	Adams County, Wisconsin, Supervisor

The Bonds are Limited Obligations of the Issuer

The Bonds are limited obligations of the Issuer payable solely from the Trust Estate pledged for their payment under the Indenture. The Bonds are not a debt or liability of the State, any Member of the Issuer, or of any

political subdivision approving the issuance of the Bonds. The Bonds do not, directly, indirectly or contingently, obligate, in any manner, any Member of the Issuer, the State or any political subdivision thereof to levy any tax or to make any appropriation for payment of the Bonds. Neither the faith and credit nor the taxing power of any Member, any political subdivision approving the issuance of the Bonds nor the faith and credit of the Issuer shall be pledged to the payment of the principal; of, premium, if any, or interest on the Bonds. The Issuer has no taxing power.

The Issuer expects to sell and deliver obligations other than the Bonds, which other obligations are and will be secured by instruments separate and apart from the Indenture and the Bonds. The holders of such obligations of the Issuer will have no claim on the security for the Bonds, and the owners of the Bonds will have no claim on the security for such other obligations issued by the Issuer.

Limited Involvement of the Issuer

The Issuer has not reviewed any appraisal for the Project or any feasibility study or other financial analysis of the Project and has not undertaken to review or approve expenditures for the Project, to supervise the construction of the Project, or to obtain any financial statements of the Borrower.

The Issuer has not reviewed this Official Statement and is not responsible for any information contained herein, except for the information in this section and under the caption “*ABSENCE OF MATERIAL LITIGATION*” as such information applies to the Issuer.

Issuer Contact

The Issuer may be contacted at: Ms. Elizabeth C. Stephens, Public Finance Authority, c/o the Wisconsin Counties Association, 22 E. Mifflin Street, Suite 900, Madison, Wisconsin 53703; phone: (888) 508-7188 ext. 863; email: lstephens@pfauthority.org.

ABSENCE OF MATERIAL LITIGATION

Issuer

There is not now pending or, to the knowledge of the Issuer, threatened, any litigation restraining or enjoining the issuance or delivery of the Bonds or questioning or affecting the validity of the Bonds or the proceedings or authority under which they are to be issued. There is no litigation pending or, to its knowledge, threatened, which in any manner questions the right of the Issuer to enter into the Loan Agreement or to secure the Bonds in the manner provided in the Indenture.

Borrower

There is no litigation pending or, to the knowledge of the Borrower, threatened, against the Borrower, which in any manner questions the right or ability of the Borrower to enter into the Loan Agreement or to fulfill the obligations imposed upon the Borrower thereby. The Borrower is from time to time involved in various legal actions consistent with the general experience of entities of similar nature and size. While the ultimate outcome of such proceedings currently pending cannot be predicted with certainty, the Borrower believes that the resolution of these legal actions will not have a material adverse effect on the operation or condition, financial or otherwise, of the Borrower.

LEGAL MATTERS

All legal matters incidental to the authorization and issuance of the Bonds by the Issuer are subject to the approval of Foley & Lardner LLP, Bond Counsel. Certain legal matters will be passed upon for the Issuer by its counsel, Eichner & Norris PLLC, for the Borrower by its counsel, Wheeler, Van Sickle & Anderson S.C., for the Guarantor by its counsel, Hogan Lovells US LLP, and for the Underwriter by its counsel, Foley & Lardner LLP.

TAX EXEMPTION

In General

The opinion of Bond Counsel and the descriptions of the tax laws contained in this Official Statement are based on laws and official interpretations of them which are in existence on the date the Bonds are issued. The opinion of Bond Counsel represents Bond Counsel's judgment regarding the proper treatment of the Bonds for federal income tax purposes. It is not binding on the Internal Revenue Service or the courts, and it is not a guaranty of result. There can be no assurance that those laws or the interpretation of them will not change or that new laws will not be enacted or regulations issued while the Bonds are outstanding in a manner that would adversely affect the value of an investment in the Bonds or the tax treatment of the interest paid on the Bonds. Furthermore, Bond Counsel has not undertaken to determine whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the Bonds may adversely affect the tax status of the interest on the Bonds.

Description of Federal Tax Law Applicable to Status of Interest on the Bonds

Recovery Zone Facility Bonds. The Bonds will be designated as "recovery zone facility bonds" for purposes of Section 1400U-3 of the Internal Revenue Code, as modified by Section 1401 of the American Recovery and Reinvestment Act of 2009. In order to qualify as a "recovery zone facility bond," 95% of the proceeds of such Bonds must be used for depreciable-type property that is constructed, reconstructed, renovated or acquired after the date on which the designation of the recovery zone takes effect. The original use of the property financed with such Bonds must commence with the Borrower, the property must be located in a designated "recovery zone" and be used in the active conduct of the Borrower's business in the recovery zone. The designated "recovery zones" applicable to the Project are the Wisconsin Counties of Waupaca, Marathon, Shawano and Portage. The Bonds will be treated as "exempt facility bonds" within the meaning of Section 1400N(a) or 141(e) of the Internal Revenue Code, as applicable) and must comply with all applicable requirements of the Internal Revenue Code relating to "private activity bonds" that are "qualified bonds" including, but not limited to, the applicable requirements of Section 1400N and 147 of Internal Revenue Code, as modified by The Heartland Disaster Relief Act of 2008, as amended to date.

The Bonds must meet certain additional requirements including, but not limited to, the following: (i) they must not be arbitrage bonds within the meaning of Section 148(a) of the Code, and certain arbitrage profits derived from the investment of their proceeds must be rebated to the United States Government in accordance with Section 148(o) of the Code; (ii) not more than 25% of their net proceeds in some cases, and none of their proceeds in other cases, may be used to provide certain identified types of facilities as provided in Sections 144(a)(8) and 147(e) of the Code; (iii) no more than 25% of the proceeds may be used to acquire land; (iv) if any of their net proceeds are used for the acquisition of previously used property, a certain required amount of rehabilitation expenditures must be made with respect to such property within a specified time pursuant to Section 147(d) of the Code; (v) not more than 2% of their face amount may be used to pay their issuance costs within the meaning of Section 147(g) of the Code; (vi) their average maturity must not exceed 120% of the average reasonably expected economic life of the facilities financed thereby; and (vii) certain informational reports with respect to them must be filed with the Secretary of the Treasury in accordance with Section 149(e) of the Code.

Federal Tax Opinion of Bond Counsel

The law firm of Foley & Lardner LLP will render an opinion substantially in the form attached as *Appendix D* hereto regarding the tax-exempt status of the Bonds under existing law as of their date of original issuance.

In rendering such opinion, the law firm of Foley & Lardner LLP will state that it has relied upon factual matters certified as true by the Borrower, the Issuer, and certain other persons with respect to certain matters, and that it has not verified these certifications by independent investigation.

Bond Document Provisions Regarding Tax Status of Bonds; Bondowner Risk

The above-described opinion of Bond Counsel speaks to the tax status of interest on the Bonds for federal income tax purposes as of the date of the original issuance of the Bonds. It is possible that future action or inaction by the Issuer, the Borrower, or some other party could cause the inclusion of interest on the Bonds in gross income for federal income tax purposes (in some cases retroactively to the date of their original issuance). If such event results from failure by the Borrower to comply with the Tax Compliance Agreement, the Indenture provides for a mandatory redemption of the Bonds at a price of 100% of the principal amount of Bonds so redeemed, plus accrued interest to the redemption date. See “*THE BONDS—Redemption—Mandatory Redemption Upon a Determination of Taxability.*” Prospective purchasers of the Bonds should be aware that in such circumstance it is probable that certain of the interest payments received by them (perhaps all of them) would be subject to Federal income taxes, thereby having the effect of reducing (perhaps substantially) the effective, after-tax yield on their investment in the Bonds.

Original Issue Discount

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes “original issue discount”, the accrual of which, to the extent properly allocable to each owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Bonds is the first price at which a substantial amount of such maturity of Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Bonds accrues daily over the term to maturity of such Bonds on the basis of a constant rate compounded on periodic compounding (with straight-line interpolations between compounding dates). In general, the length of the interval between periodic compounding dates cannot exceed the interval between debt service payments on such Bonds and must begin or end on the date of such payments. The accruing original issue discount is added to the adjusted basis of such Bonds to determine taxable gain or loss upon disposition (including sale, redemption or payment on maturity) of such Bonds. Owners of the Bonds should consult with their own tax advisors with respect to the tax consequences of ownership of the Bonds with original issue discount, including the treatment of purchasers who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds are sold to the public.

Premium

Bonds purchased, whether at original issuance or otherwise, for an amount greater than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“*Premium Bonds*”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of Bonds, like the Premium Bonds, the interest on which is excludable from gross income for federal income tax purposes. However, the amount of tax exempt interest received, and an owner’s basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such owner. Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Wisconsin Tax Matters

Under existing law, interest on the Bonds is not exempt from Wisconsin income taxes. Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers.

DESCRIPTION OF RATING

The Bonds have been assigned a bond rating of “A2” by Moody’s Investors Service, Inc. (the “*Rating Agency*”) based on the assumption that the Guarantor will execute the Guaranty Agreement in favor of the Trustee upon the issuance of the Bonds.

The rating reflects only the views of the Rating Agency, and any explanation of the significance of the rating may be obtained only from the Rating Agency. Such rating is dependent upon the rating of the Guarantor, and accordingly, such rating may be lowered or withdrawn in the event that the rating of the Guarantor is lowered or is withdrawn. The rating for the Bonds is subject to revision, suspension, or withdrawal at any time by the Rating Agency, and any such revision, suspension, or withdrawal may affect the market price or marketability of the Bonds. A rating is not a recommendation to buy, sell, or hold the Bonds.

A further explanation of the rating by the Rating Agency may be obtained from the Rating Agency.

UNDERWRITING

The Underwriter has agreed to purchase all (but not less than all) the Bonds at a purchase price of \$8,870,340.65 (which equals the par amount of the bonds of \$9,000,000, minus an original issue discount of \$129,659.35 and will receive an underwriting fee of \$135,000, pursuant to a Bond Purchase Agreement entered into among the Issuer, the Underwriter, and the Borrower (the "*Bond Purchase Agreement*"). Pursuant to the Bond Purchase Agreement, the Borrower has agreed to indemnify the Underwriter and the Issuer against certain liabilities, including certain liabilities arising out of or based upon any untrue statements or alleged untrue statements contained in this Official Statement or omissions of material facts from this Official Statement. The obligation of the Underwriter to accept delivery of the Bonds is subject to the various conditions of the Bond Purchase Agreement.

CONTINUING DISCLOSURE

Continuing Disclosure relating to the Borrower

In accordance with the requirements of Rule 15c2-12 of the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended, the Borrower will enter into a Continuing Disclosure Agreement dated as of December 1, 2010 (the "*Continuing Disclosure Agreement*"), with the Trustee (together with any successor dissemination agent, the "*Dissemination Agent*"). Pursuant to the Continuing Disclosure Agreement, the Borrower will covenant for the benefit of the Bondowners to provide, or cause to be provided, to the Municipal Securities Rulemaking Board (the "*MSRB*") (i) the annual audited financial statements of the Borrower (the "*Annual Report*") within 120 days after the close of the Borrower's Fiscal Year and (ii) notices ("*Material Event Notices*") of the occurrence of any of the following events respecting the Bonds within ten business days after their occurrence:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (7) Modifications to rights of Bondowners, if material;
- (8) Bond calls, if material, and tender offers;
- (9) Defeasances;
- (10) Release, substitution, or sale of property securing repayment of the Bonds, if material;

- (11) Rating changes;
- (12) Bankruptcy, insolvency, receivership or similar event of an obligated person (for purposes of this event, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar office for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all the assets or business of the obligated person;
- (13) The consummation of a merger, consolidation or acquisition involving an obligated person or the sale of all or substantially all of the assets of an obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.

The Annual Report is currently required to be filed with the MSRB's Electronic Municipal Market Access system accessible at <http://emma.msrb.org>. A default by the Borrower or the Dissemination Agent in furnishing the required information does not constitute an Event of Default under the Loan Agreement or the Indenture. The sole remedy for any such default is an action by the Bondholders for specific performance.

The Borrower is solely responsible for providing the Annual Reports and any Material Event Notices. The Issuer has no responsibility or liability to the Bondowners or any other person for making, monitoring or content of any disclosures made by or on behalf of the Borrower.

Continuing Disclosure relating to the Guarantor

The Guarantor has agreed, for the benefit of the Bondowners, to provide a notice to the MSRB each year indicating that it has filed its annual Form 10-K and its other annual financial reports to the U.S. Securities Exchange Commission (the "SEC") in accordance with the SEC financial reporting requirements applicable to the Guarantor.

FINANCIAL STATEMENTS

The financial statements of the Borrower as of and for the fiscal years ended 2008 and 2009, included in Appendix A-2 to this Official Statement have been audited by Vig & Associates, independent certified public accountants, to the extent and for the periods indicated in their reports thereon.

MISCELLANEOUS

The references herein to the Bonds, the Indenture, the Guaranty Agreement, the Promissory Note, and the Loan Agreement are brief outlines of certain provisions thereof and do not purport to be complete. For full and complete statements of such provisions reference is made to such documents. Copies of the documents mentioned under this heading are on file at the offices of the Underwriter and the Issuer and following delivery of the Bonds will be on file at the offices of the Trustee.

It is anticipated that CUSIP identification numbers will be printed on the Bonds, but neither the failure to print such numbers on any Bond nor any error in the printing of such numbers shall constitute cause for a failure or refusal by the purchaser thereof to accept delivery of and pay for any Bonds.

APPENDIX A-1

The Borrower: Central Wisconsin Electric Cooperative

GENERAL DESCRIPTION

Central Wisconsin Electric Cooperative (“CWEC”) is a not-for-profit cooperative association incorporated under the laws of the State of Wisconsin. CWEC’s principal business is to provide distribution electric service to its retail consumer-members in its service area in the rural areas of Waupaca, Shawano, Marathon and Portage counties in Wisconsin. CWEC was formed in 1948 through consolidation of Waupaca Electric Cooperative and Marathon-Portage Electric Cooperative. Member-consumer electric service began on the earliest portions of CWEC’s electric system in 1939. CWEC’s headquarters is currently located in Iola, Wisconsin. The economy of CWEC’s service area is based predominantly on agricultural, agribusiness, recreation, and tourism.

For the year ended December 31, 2009, CWEC’s electric energy sales were approximately 95,159 megawatt hours, corresponding to gross revenues of \$12,131,729.00. CWEC also received a minor portion of its revenues (\$235, 104 in 2009) from acting as a sales agent for sales of energy efficient water heaters and heat pumps and certain telecommunications services to its consumer-members. As of December 31, 2009, CWEC served 7,779 member-consumers, while operating 1,417 miles of distribution electric lines and eight substations. CWEC currently has 31 employees.

As a cooperative, CWEC is owned by and exclusively serves its consumer-members, which are the individuals that reside, and the organizations and small businesses that are located, within its service area. CWEC is exempt from federal income tax on its distribution electric service income under § 501(c)(12) of the Internal Revenue Code, but may be subject to income tax on its unrelated business taxable income. As a member-owned cooperative, CWEC has no publicly-held equity securities outstanding, nor has it issued any stock. CWEC funds its business activities primarily through the rates it charges to its consumer-members for distribution electric service and from working capital derived from retained member patronage capital credits arising from margins from previous operations. CWEC funds its longer-term capital needs primarily through loans from National Rural Utilities Cooperative Finance Corporation (“CFC”), a cooperative lender.

CWEC’s principal objective is to offer its consumer-members reliable retail electric service at the lowest reasonable cost consistent with high system reliability and sound management practices. Under the cooperative form of organization, CWEC’s margins are allocated annually to CWEC’s patrons on the basis of individual consumption of electric energy and become patronage capital. Those allocated margins are retained as patronage capital credits until the board of directors determines to distribute them in cash to the members, consistent with prudent financial planning and any applicable restrictions on such distributions imposed by lending covenants. Under the provisions of CWEC’s long-term debt agreements, until the total equities and margins equal or exceed thirty percent (30%) of the total assets of CWEC, the return to patrons of capital contributed by them is limited, generally, to twenty-five percent (25%) of the patronage capital or margins received in the next preceding year. As of December 31, 2009,

the total equities and margins of CWEC were approximately 38 percent of the total assets of CWEC.

GOVERNANCE

CWEC is governed by a seven-member board of directors elected from and by its member-consumers. Six of the directors are elected on staggered three-year terms based upon territorial districts, and the seventh member is elected at large.

The principal management personnel at CWEC are the following:

- President & CEO – Greg W. Blum;
- Vice President-Finance – Lila Shower;
- Vice President-Engineering -- Cass Reynolds;
- Vice President-Operations - Kevin Kurtzweil; and
- Vice President-Marketing - Mark Forseth.

REGULATION OF RATES AND SERVICES

CWEC's rates and terms and conditions for services to members are determined by its board of directors. CWEC is not generally subject to regulation by the Public Service Commission of Wisconsin with respect to the rates or the terms or conditions of electric service provided to its member-consumers. CWEC would be subject to regulation by the Public Service Commission of Wisconsin with respect to the necessity for and location of major new generation or transmission facilities within Wisconsin, but CWEC does not currently own or plan to own or operate any such facilities.

CWEC's right to exclusively serve its consumer-members within the areas that it serves is protected pursuant to Wisconsin laws designed to avoid duplication of electric facilities. Cooperative associations and public utilities in Wisconsin are prohibited from extending electric service to consumers already receiving such service from a distribution cooperative or to persons located within 500 feet of the existing distribution lines of such a distribution cooperative. (Where existing lines of another cooperative association or utility are also within 500 feet of the potential consumer, the electric supplier may be chosen by the consumer.) These same rules also apply to extensions of service by CWEC. The limited exclusivity provided by these restrictions may be lost if the Public Service Commission of Wisconsin finds that the service provided by the incumbent utility is inadequate or that the rates charged are unreasonable. Inclusion by incorporation, consolidation or annexation of any of the facilities or service area of CWEC within the boundary of a city will not by such inclusion impair or affect the rights of CWEC to provide electric utility service to a prospective consumer in that annexed area. A municipality may elect to acquire the facilities and property of CWEC within an annexed area in accordance with certain statutory procedures. Except for electric cooperatives, most electric utilities providing retail electric service in Wisconsin are subject to regulation of their rates and terms and conditions of their service by the Public Service Commission of Wisconsin.

While Wisconsin has previously considered enacting measures to increase or foster retail competition among electric utilities, thus far, retail competition does not apply in Wisconsin except for those circumstances in which existing distribution lines of potential utility suppliers are more than 500 feet away from the potential consumer's premises to be served, or when more than one such utility has distribution facilities within 500 feet of the premises of the potential customer to be served.

CWEC obtains wholesale electric service to supply its needs to serve its member-consumers under a wholesale all-requirements power supply agreement with Wisconsin Power and Light Company. The current power supply agreement has a duration of ten years, expiring in 2017. Through that wholesale power supply agreement, CWEC also obtains the renewable energy or renewable resource credits necessary to comply with the Wisconsin renewable energy portfolio standard.

CFC imposes requirements relating to maintenance of certain financial ratios, approval of mergers or certain sales of capital assets, limitations on investments and capital distributions under the terms of its existing lending agreements with CWEC. In particular, CWEC covenants to achieve an average debt service coverage ratio of not less than 1.35, determined by reference to the ratio achieved in the best two of the most recently completed three years.

TRANSMISSION SERVICE

CWEC obtains transmission service for delivery of its wholesale electric energy purchases over transmission facilities owned by the American Transmission Company, LLC, ("ATC") a Wisconsin transmission company in which CWEC is a minority investor, currently less than a one-half percent equity holder. CWEC's membership interest in ATC at the end of 2009 was valued at \$1,281,862. Transmission service over ATC lines is provided by the Midwest Independent Transmission System Operator, Incorporated ("*Midwest ISO*"), a Regional Transmission Organization ("*RTO*") regulated by the Federal Energy Regulatory Commission ("*FERC*").

SUBSIDIARY

CWEC has a single wholly-owned subsidiary, CWEC Services, LLC. CWEC Services, LLC began operations in 2004, and its financial statements are consolidated with those of CWEC in accordance with generally accepted accounting principles. The original business of CWEC Services, LLC was operation of a retail gasoline filling station. That business was sold to an unrelated party in 2006. CWEC Services, LLC's sole business now is to lease the filling station building to the current owner and operator of the filling station business.

FINANCIAL INFORMATION ON CWEC

CWEC has not issued any publicly held securities, nor does it currently file financial reports or financial statements with the federal Securities and Exchange Commission or with any state investment securities regulator. Attached as Appendix A-2 are the audit report

and audited financial statements for CWEC for the fiscal years ended 2008 and 2009.

Substantially all of the assets of CWEC are pledged as security for CWEC's long-term liabilities to CFC. CWEC is obligated under a Reimbursement Agreement between CWEC and CFC to reimburse CFC for any amounts that CFC pays under the Guaranty Agreement. CWEC's reimbursement obligations to CFC under the Reimbursement Agreement are secured by the existing Mortgage and Security Agreement between CWEC and CFC that secures CWEC's other long-term liabilities to CFC.

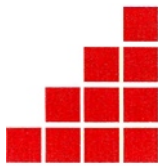
INTENDED USE OF PROCEEDS OF THE BONDS

The proceeds of the Bonds will be used (i) to fund the construction of a new headquarters building for CWEC in Rosholt, Wisconsin, and various other improvements to CWEC's existing electric distribution system (the "Project") and (ii) to pay certain costs associated with the issuance of the Bonds. The Project will include construction of a new headquarters building and related facilities and equipment in Rosholt, Wisconsin, which, when completed, will replace the existing CWEC headquarters in Iola, Wisconsin and an outpost office in Wittenberg, Wisconsin. The new headquarters will provide offices for CWEC employees and warehouse and equipment storage facilities for most of CWEC's trucks and other vehicles. The Project will also include the replacement and/or construction of new overhead and underground electric lines in various portions of Portage, Marathon, Shawano, and Waupaca counties in Wisconsin, and equipment upgrades to CWEC substations located in those counties. The initial owner, operator, and manager of the Project will be CWEC.

APPENDIX A-2

Financial Statements of the Borrower

See Attached



INDEPENDENT AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

To the Board of Directors
Central Wisconsin Electric Cooperative and Subsidiary
Iola, Wisconsin

We have audited the accompanying consolidated balance sheets of Central Wisconsin Electric Cooperative (a Wisconsin Corporation) and Subsidiary as of December 31, 2009 and 2008, and the related consolidated statements of operations, equities, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Cooperative's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative and Subsidiary's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Central Wisconsin Electric Cooperative and Subsidiary as of December 31, 2009 and 2008, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Vig & Associates LLC

March 24, 2010

CENTRAL WISCONSIN ELECTRIC COOPERATIVE AND SUBSIDIARY
IOLA, WISCONSIN
CONSOLIDATED BALANCE SHEETS
December 31, 2009 and 2008

	2009	2008
<u>ASSETS</u>		
UTILITY PLANT:		
Electric plant in service	\$ 36,300,441	\$ 33,955,215
Construction work in progress	1,931,647	2,069,952
Total utility plant	38,232,088	36,025,167
Accumulated provision for depreciation	(8,730,277)	(8,485,965)
NET UTILITY PLANT	29,501,811	27,539,202
 INVESTMENTS AND OTHER ASSETS (at cost):		
Non-utility property, net of accumulated depreciation (\$102,676 in 2009 and \$69,296 in 2008)	1,057,159	1,089,529
Investments in associated organizations	6,568,404	4,620,420
Notes receivable - long term portion	951,543	1,048,636
Other investments	12,791	12,791
TOTAL INVESTMENTS AND OTHER ASSETS (at cost)	8,589,897	6,771,376
 CURRENT ASSETS:		
Cash and cash equivalents	45,060	65,785
Accounts receivable (less: provision for uncollectible accounts of \$198,158 in 2009 and \$211,810 in 2008)	489,840	398,889
Accounts receivable - other	69,123	90,347
Current portion of notes receivable	150,888	127,917
Materials and supplies	378,275	585,006
Prepayments	81,822	134,970
Interest receivable	41,357	3,868
TOTAL CURRENT ASSETS	1,256,365	1,406,782
 TOTAL ASSETS	\$ 39,348,073	\$ 35,717,360

	<u>2009</u>	<u>2008</u>
<u>LIABILITIES AND EQUITY</u>		
EQUITY:		
Patronage capital	\$ 12,188,658	\$ 11,295,923
Memberships	35,720	35,685
Other equities	2,687,431	3,345,557
TOTAL EQUITY	<u>14,911,809</u>	<u>14,677,165</u>
LONG-TERM DEBT, less current portion	<u>21,506,892</u>	<u>18,308,630</u>
CURRENT LIABILITIES:		
CFC - Line of credit	1,040,000	975,000
Current maturities of long-term debt	730,295	637,274
Accounts payable	268,905	212,956
Consumer deposits	88,809	83,004
Other current and accrued liabilities	697,315	730,223
TOTAL CURRENT LIABILITIES	<u>2,825,324</u>	<u>2,638,457</u>
DEFERRED CREDITS	<u>104,048</u>	<u>93,108</u>
 TOTAL LIABILITIES AND EQUITY	 <u>\$ 39,348,073</u>	 <u>\$ 35,717,360</u>

See accompanying notes to consolidated financial statements.

CENTRAL WISCONSIN ELECTRIC COOPERATIVE AND SUBSIDIARY
IOLA, WISCONSIN
CONSOLIDATED STATEMENTS OF OPERATIONS
Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
OPERATING REVENUES	<u>\$ 12,131,729</u>	<u>\$ 11,613,947</u>
OPERATING EXPENSES:		
Cost of purchased power	6,505,777	6,127,597
Distribution expense - operations	564,432	445,152
Distribution expense - maintenance	1,550,189	1,520,939
Consumer accounts	343,480	362,623
Customer service and informational	127,197	74,617
Sales expense	83,728	45,791
Administrative and general	557,904	600,155
Depreciation and amortization	1,061,483	1,020,641
Taxes	179,468	175,015
Other deductions	28,248	30,300
TOTAL OPERATING EXPENSES	<u>11,001,906</u>	<u>10,402,830</u>
OPERATING MARGINS BEFORE FIXED CHARGES	<u>1,129,823</u>	<u>1,211,117</u>
FIXED CHARGES :		
Interest on long-term debt	1,054,012	956,631
TOTAL FIXED CHARGES	<u>1,054,012</u>	<u>956,631</u>
OPERATING MARGINS AFTER FIXED CHARGES	<u>75,811</u>	<u>254,486</u>
NONOPERATING MARGINS:		
Interest income	194,450	26,224
Other nonoperating revenues (expenses)	(158,920)	99,041
TOTAL NONOPERATING MARGINS	<u>35,530</u>	<u>125,265</u>
GENERATION AND TRANSMISSION AND OTHER CAPITAL CREDITS	<u>286,897</u>	<u>367,132</u>
NET MARGINS FOR PERIOD	<u><u>\$ 398,238</u></u>	<u><u>\$ 746,883</u></u>

See accompanying notes to consolidated financial statements.

CENTRAL WISCONSIN ELECTRIC COOPERATIVE AND SUBSIDIARY
IOLA, WISCONSIN
CONSOLIDATED STATEMENTS OF OPERATIONS
Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
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Consumer accounts	343,480	362,623
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GENERATION AND TRANSMISSION AND OTHER		
CAPITAL CREDITS	<u>286,897</u>	<u>367,132</u>
NET MARGINS FOR PERIOD	<u><u>\$ 398,238</u></u>	<u><u>\$ 746,883</u></u>

See accompanying notes to consolidated financial statements.

CENTRAL WISCONSIN ELECTRIC COOPERATIVE AND SUBSIDIARY
IOLA, WISCONSIN
CONSOLIDATED STATEMENTS OF EQUITIES
Years Ended December 31, 2009 and 2008

	Memberships	Patronage Capital Assigned	Nonoperating Margins	Donated / (Returned) Capital	Other Equities	Total
Balance 12/31/07	\$ 35,340	\$ 10,339,611	\$ 3,245,415	\$ 452,499	\$ 13,854	\$ 14,086,719
2008 net allocated margins	-	647,842	-	-	-	647,842
2008 reclassify additional allocation of board	-	477,025	(477,025)	-	-	-
2008 net nonallocated margins	-	-	99,041	-	-	99,041
Retirements of equities	-	(168,529)	-	-	-	(168,529)
Net other equity changes 12/31/08	(1,570)	(26)	-	11,746	27	10,177
Net memberships added 12/31/08	1,915	-	-	-	-	1,915
Balance 12/31/08	35,685	11,295,923	2,867,431	464,245	13,881	14,677,165
2009 net allocated margins	-	557,158	-	-	-	557,158
2009 reclassify additional allocation of board	-	500,000	(500,000)	-	-	-
2009 net nonallocated margins	-	-	(158,920)	-	-	(158,920)
Retirements of equities	-	(164,423)	-	-	-	(164,423)
Net other equity changes 12/31/09	(1,480)	-	-	794	-	(686)
Net memberships added 12/31/09	1,515	-	-	-	-	1,515
Balance 12/31/09	<u>\$ 35,720</u>	<u>\$ 12,188,658</u>	<u>\$ 2,208,511</u>	<u>\$ 465,039</u>	<u>\$ 13,881</u>	<u>\$ 14,911,809</u>

See accompanying notes to consolidated financial statements.

**CENTRAL WISCONSIN ELECTRIC COOPERATIVE AND SUBSIDIARY
IOLA, WISCONSIN**

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2009 and 2008

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net margins	\$ 398,238	\$ 746,883
Adjustments necessary to reconcile net margins to net cash provided (used) by operating activities:		
Depreciation and amortization	1,235,315	1,180,560
Noncash increase of investments	(2,515,104)	(869,445)
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(69,727)	225,761
Material and supplies	184,221	(240,762)
Other current and accrued assets	15,659	20,143
Increase (decrease) in:		
Accounts payable	122,309	(31,374)
Consumer deposits	5,805	11,305
Other current and accrued liabilities	(32,908)	90,670
Net cash provided (used) by operating activities	(656,192)	1,133,741
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(2,947,177)	(2,548,038)
Removal costs (net of salvage)	(262,227)	(110,941)
Proceeds from investments	699,231	796,687
Purchase of investments	(132,111)	(35,464)
Decrease (increase) in notes receivable	74,122	(7,622)
Increase (decrease) in deferred credits	10,940	(29,541)
Net cash provided (used) by investing activities	(2,557,222)	(1,934,919)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term debt	3,948,000	2,700,000
Payments on long-term debt	(656,717)	(598,575)
Changes in short-term debt (net)	65,000	(1,280,000)
Donated capital	-	11,746
Other equities	794	(1,569)
Retirement of patronage capital and adjustments	(164,423)	(168,529)
Payments of memberships (net)	35	1,915
Net cash provided (used) by financing activities	3,192,689	664,988
Net increase (decrease) in cash and cash equivalents	(20,725)	(136,190)
BEGINNING CASH AND CASH EQUIVALENTS	65,785	201,975
ENDING CASH AND CASH EQUIVALENTS	\$ 45,060	\$ 65,785
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:		
Accounts payable	\$ (66,360)	\$ (64,318)
Electrical plant in service	-	26,750
Nonoperating margins	3,789	22,574
Investments in associated organizations	(3,789)	(22,574)
Construction work in progress	43,850	6,881
Other accounts receivable	-	3,840
Materials and supplies	22,510	26,847
	\$ -	\$ -
SUPPLEMENTAL DISCLOSURES		
Interest paid	\$ 1,080,292	\$ 990,254

See accompanying notes to consolidated financial statements.

CENTRAL WISCONSIN ELECTRIC COOPERATIVE AND SUBSIDIARY
IOLA, WISCONSIN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 1. DESCRIPTION OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

Central Wisconsin Electric Cooperative is a cooperative association organized under Wisconsin laws and statutes. The primary purpose of the Cooperative is to buy and sell electric energy to its members. The governing body consists of a seven member board of directors elected by the members of the Cooperative. Six of the board members serve a three year term, with an at-large board member also serving a three year term. The Cooperative's general offices are located in Iola, Wisconsin.

The Cooperative is subject to the accounting and reporting rules and regulations of the Rural Utilities Service (RUS). The Cooperative follows the Federal Energy Regulatory Commission's Uniform System of Accounts prescribed for Class A and B Electric Utilities as modified by RUS. The accounting policies conform to generally accepted accounting principles as applied in the case of regulated electric utilities.

Rates charged to customers are established by the Board of Directors and are subject to approval of RUS before becoming effective.

B. Principles of Consolidation

The consolidated financial statements include the accounts of Central Wisconsin Electric Cooperative and its wholly owned Subsidiary, CWEC Services, LLC. CWEC Services, LLC began operations in 2004 and as a result, consolidated financial statements are presented for the years ended December 31, 2009 and 2008 to conform with generally accepted accounting principles.

All material intercompany transactions and accounts have been eliminated from the consolidated financial statements.

C. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Cooperative considers short-term investments with maturities of three months or less to be cash equivalents.

D. Investments

Investments are recorded at cost.

E. Inventories

Line material and supplies are priced at average unit costs.

F. Revenue Recognition

The Cooperative generally follows the practice of billing customers at the middle of the month from meter readings that have occurred throughout the month. This results in revenue being earned but unbilled at the end of the month. The Cooperative does not accrue revenues for the earned, but unbilled portion.

CENTRAL WISCONSIN ELECTRIC COOPERATIVE AND SUBSIDIARY
IOLA, WISCONSIN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 1. DESCRIPTION OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

G. Electric Plant and Depreciation Procedures

Electric plant is stated at cost. Additions, major renewals, replacements, betterments, and interest incurred during construction are capitalized. Depreciation of electric plant is provided through the use of composite, straight-line rates as set forth in Note 3. When assets are sold or retired, the original cost is removed from the accounts and charged, together with any cost of removal to the appropriate accumulated provision for depreciation. Any salvage realized is credited to the same accumulated provision. Costs of maintenance and repair are charged to income as incurred.

H. Concentrations of Credit Risk

The Cooperative and Subsidiary grant credit to members and customers who are located in the rural areas of Waupaca, Portage, Marathon, and Shawano Counties in Wisconsin. The Cooperative also loans money to customers for economic development loans. Collectibility of accounts receivable arising from sales and economic development loans is dependent upon the economy of the region.

Financial instruments that potentially subject the Cooperative to concentrations of credit risk consist principally of cash and cash equivalents/temporary investments, notes receivable and accounts receivable. The Cooperative places its temporary investments with financial institutions and limits the amount of credit exposure to any one financial institution.

The Cooperative maintains cash balances at a financial institution which, at times, may exceed federally insured limits. The Cooperative has not experienced any losses from these accounts. The Cooperative believes it is not exposed to any significant risk on such balances.

I. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

J. Income Taxes

The Cooperative is exempt from income taxes under Section 501(c)(12) of the Internal Revenue Code. However, the Cooperative is subject to Unrelated Trade or Business Income Tax. There was no required provision for accrued income taxes at December 31, 2009 and 2008.

K. Subsequent Events

Subsequent events have been evaluated through March 24, 2010, which is the date the financial statements were issued.

CENTRAL WISCONSIN ELECTRIC COOPERATIVE AND SUBSIDIARY
IOLA, WISCONSIN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 1. DESCRIPTION OF ENTITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)

L. Advertising Costs

Advertising costs are expensed as incurred. Advertising expenses were \$45,529 and \$30,760 in 2009 and 2008, respectively.

M. Reclassifications

Certain reclassifications have been made to the 2008 financial statements to conform with the 2009 presentation.

NOTE 2. ASSETS PLEDGED

All assets are pledged as security for the long-term liabilities to the National Rural Utilities Cooperative Finance Corporation (NRUCFC).

	2009	2008
Land	\$ 74,319	\$ 74,319
Distribution plant	32,449,710	30,323,979
General plant	3,776,412	3,556,917
Construction work in progress	1,931,647	2,069,952
Total	<u>\$ 38,232,088</u>	<u>\$ 36,025,167</u>

NOTE 3. ELECTRIC PLANT AND DEPRECIATION PROCEDURES

Major classes of the electric plant as of December 31 consist of:

Distribution plant depreciation rates in effect are as follows:

Underground conductor	3.7%
Other distribution plant	2.7%

General plant depreciation rates have been applied on a straight-line basis and are as follows:

Structures and improvements	2.5%
Office furniture and equipment	5.0%
Transportation equipment	5 - 25%
Power operated equipment	7 - 11%
Communication equipment	6.0%
Other general plant	4.5 - 5.0%

CENTRAL WISCONSIN ELECTRIC COOPERATIVE AND SUBSIDIARY
IOLA, WISCONSIN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 3. ELECTRIC PLANT AND DEPRECIATION PROCEDURES (Continued)

Depreciation charges on depreciable fixed assets for the years ended December 31, 2009 and 2008 are as follows:

	2009	2008
Electric operating expense	\$ 1,061,483	\$ 1,020,641
Non-electric operating expense	33,380	31,202
Clearing accounts to construction and maintenance	140,452	128,717
Total	<u>\$ 1,235,315</u>	<u>\$ 1,180,560</u>

NOTE 4. INVESTMENTS AND OTHER ASSETS

Investments in associated organizations include patronage capital allocations from National Rural Utilities Cooperative Finance Corporation and other associated organizations. The CTC's bear interest at 5%. The LTC's bear interest at 3% and mature beginning in 2020. The ZTC's are non-interest bearing and mature in 2018.

	2009	2008
Non-utility property:		
CRC phones	\$ 66,392	\$ 65,382
Spec building	1,093,443	1,093,443
Subtotal	<u>1,159,835</u>	<u>1,158,825</u>
Less - accumulated depreciation	102,676	69,296
Non-utility property - net	<u>\$ 1,057,159</u>	<u>\$ 1,089,529</u>
Investments in associated organizations:		
Investments in associated organizations	\$ 1,030,111	\$ 830,328
Investment in Badger Energy Services, LLC	355,939	570,390
Investment in Mid-Wisconsin DBS, LLC	1,211,628	1,442,283
Investment in ATC, LLC	1,281,862	1,083,907
Investments in securities to be held to maturity:		
NRUCFC - CTC's	265,348	265,348
NRUCFC - LTC's	80,600	80,600
NRUCFC - ZTC's	342,916	347,564
NRUCFC - Member capital securities	2,000,000	-
	<u>\$ 6,568,404</u>	<u>\$ 4,620,420</u>
Other investments	<u>\$ 12,791</u>	<u>\$ 12,791</u>

The Cooperative accounts for its investment in Badger Energy Services, LLC; Mid-Wisconsin DBS, LLC; and ATC, LLC on the equity method of accounting. All other investments are reported at cost.

**CENTRAL WISCONSIN ELECTRIC COOPERATIVE AND SUBSIDIARY
IOLA, WISCONSIN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2009 and 2008**

NOTE 4. INVESTMENTS AND OTHER ASSETS (Continued)

The financial statements of Badger Energy Services, LLC, Mid-Wisconsin DBS, LLC, and ATC, LLC were audited as of December 31, 2009. Condensed financial statement information for the year ended December 31, 2009 is as follows:

	Badger Energy, LLC	Mid Wisconsin DBS, LLC	ATC, LLC
Current assets	\$ 1,844,182	\$ 1,017,887	\$ 51,121
Current liabilities	4,245,856	375,940	285,494
Net working capital	(2,401,674)	641,947	(234,373)
Total assets	8,875,973	7,644,579	2,818,370
Total members' equity	2,957,890	7,268,639	1,196,396
Change in net assets	(1,253,468)	1,405,515	213,365

Notes receivable:

	2009	2008
Appliance deferred payment plans.	\$ 10,267	\$ 12,431
\$300,000 Village of Wittenburg notes receivable to be repaid in monthly installments of \$3,125 at a 0% interest rate through 2016.	240,625	278,125
\$290,000 Depot Street Station notes receivable to be repaid in monthly installments of \$2,265.80 at a 7.1% interest rate through 2026.	263,160	271,347
\$10,000 Spees Solar Building economic development loan to be repaid in monthly installments of \$166.67 at a 0% interest rate through 2012.	4,833	6,833
\$40,000 Jackson Lake Farms, Inc. economic development loan to be repaid semi-annually \$4,337.37 at a 3% interest rate beginning January 9, 2008 through 2013.	24,711	32,469

CENTRAL WISCONSIN ELECTRIC COOPERATIVE AND SUBSIDIARY
IOLA, WISCONSIN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 4. INVESTMENTS AND OTHER ASSETS (Continued)

Notes receivable (continued):

	2009	2008
\$28,328 Mechanical Connection, LLC economic development loan to be repaid monthly at a 3% interest rate beginning April 8, 2008 through 2013.	\$ 19,363	\$ 24,796
\$25,000 Beske Auto Repair, LLC economic development loan to be repaid monthly at a 3% interest rate beginning August 12, 2008 through 2013.	18,695	23,448
\$5,000 Flume Creek Coffee economic development loan to be repaid monthly at an interest rate of 3% through 2013.	4,297	-
\$20,500 Take Five economic development loan to be repaid monthly at an interest rate of 3% through 2014.	19,546	8,900
\$450,000 Nuske Meats economic development loan to be repaid in monthly installments of \$3,750 at a 0% interest rate through 2016.	315,000	360,000
\$20,000 Marion Area Ministerial Association Honor of Hope Food Pantry, Inc. economic development loan to be repaid monthly at an interest rate of 3.0% through 2017.	12,062	16,564
\$141,640 Iola Living Center economic development loan to be repaid in monthly installments of \$1,475.42 at a 0% interest rate through 2017.	125,410	141,640
\$25,000 Badger State mortgage economic development loan to be repaid monthly at an interest rate of 3% through 2019.	24,462	-
\$20,000 Lashua Automotive economic development loan to be repaid monthly at an interest rate of 3% through 2019.	20,000	-
Less: current portion	(150,888)	(127,917)
Total	<u>\$ 951,543</u>	<u>\$ 1,048,636</u>

CENTRAL WISCONSIN ELECTRIC COOPERATIVE AND SUBSIDIARY
IOLA, WISCONSIN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 5. DETAIL OF PATRONAGE CAPITAL - ASSIGNED

Patronage capital - assigned consists of:

	2009	2008
Assigned, January 1	\$ 11,295,923	\$ 10,339,611
Assignable	1,057,158	1,124,867
Less: Capital credits - general retirement and adjustments	(164,423)	(168,555)
Total patronage capital	\$ 12,188,658	\$ 11,295,923

The Cooperative is organized and operates under the cooperative form of organization. As such, patronage capital or margins are allocated to patrons on the basis of individual consumption of electric energy. Under provisions of the long-term debt agreements, until the total equities and margins equal or exceed 30 percent of the total assets of the Cooperative, the return to patrons of capital contributed by them is limited, generally, to 25 percent of the patronage capital or margins received in the next preceding year.

NOTE 6. DETAIL OF OTHER EQUITIES

Other equities consisted of retained margins not allocated to patrons as follows:

	2009	2008
Capital gains and losses	\$ 3,520	\$ 3,520
Nonoperating margins	2,208,511	2,867,431
Donated/(returned) capital	465,039	464,245
Other margins	10,361	10,361
Total	\$ 2,687,431	\$ 3,345,557

NOTE 7. NOTES PAYABLE

The Cooperative has a line of credit with NRUCFC in the amount of \$2,700,000, of which \$1,040,000 and \$975,000 was outstanding at December 31, 2009 and 2008, respectively. The interest rates applicable to the line of credit were 4.25% and 5.00% at December 31, 2009 and 2008, respectively.

CENTRAL WISCONSIN ELECTRIC COOPERATIVE AND SUBSIDIARY
IOLA, WISCONSIN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 8. LONG-TERM DEBT

Long-term liabilities consist of the following:

	2009	2008
CFC notes:		
3.85% fixed rate note	\$ 1,939,183	\$ -
4.45% fixed rate note	2,173,994	2,216,980
4.55% fixed rate note	-	138,877
4.85% fixed rate note	140,984	140,984
4.95% fixed rate note	602,401	612,316
5.15% fixed rate note	101,188	101,188
5.35% fixed rate note	89,315	89,315
5.50% fixed rate note	1,955,609	1,978,643
5.55% fixed rate note	93,900	93,900
5.75% fixed rate note	72,218	72,218
5.90% fixed rate note	3,576,844	2,641,002
6.10% fixed rate note	993,921	-
6.13% fixed rate note	798,601	905,598
6.15% fixed rate note	1,673,808	1,694,920
6.25% fixed rate note	1,685,413	1,703,092
6.35% fixed rate note	2,072,398	2,110,352
6.51% fixed rate note	910,854	936,775
6.60% fixed rate note	1,197,528	1,212,552
6.65% fixed rate note	1,197,819	1,212,713
6.75% fixed rate note	646,209	724,479
Total CFC notes	21,922,187	18,585,904
RUS economic development note:		
10 year promissory note to the United States of America - RUS; principal of \$3.750 to be paid monthly beginning 1/31/07 through 12/31/16.		
0% note	315,000	360,000
Total long-term debt	22,237,187	18,945,904
Less: current maturities	730,295	637,274
Total long-term debt less current maturities	\$ 21,506,892	\$ 18,308,630

**CENTRAL WISCONSIN ELECTRIC COOPERATIVE AND SUBSIDIARY
IOLA, WISCONSIN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2009 and 2008**

NOTE 8. LONG-TERM DEBT (Continued)

Aggregate maturities on long-term liabilities are as follows:

	2010	\$	730,295
	2011		698,162
	2012		719,453
	2013		759,234
	2014		748,459
	Thereafter		18,581,584
		<u>\$</u>	<u>22,237,187</u>

NOTE 9. DEFERRED CREDITS

Following is a summary of amounts recorded as deferred credits as of December 31, 2009 and 2008:

	2009	2008
Estimated cost of installation of special equipment	\$ 56,186	\$ 56,983
Reserve for unclaimed capital credit checks	47,862	36,125
	<u>\$ 104,048</u>	<u>\$ 93,108</u>

NOTE 10. PENSION PLAN

Pension benefits for substantially all non-union employees are provided through participation in the NRECA Retirement and Security Program, a defined benefit pension plan qualified under Section 401 and tax exempt under 501(a) of the Internal Revenue Code. The Cooperative makes annual contributions to the program equal to the amounts accrued for pension expense. In this multi-employer plan, which is available to all member cooperatives of NRECA, the accumulated benefits and plan assets are not determined or allocated separately by individual employer. The total pension costs for 2009 and 2008 were \$257,395 and \$243,237, respectively for the Cooperative. Included in the above figures is the Cooperative's share of payments to a 401(k) plan, which totaled \$32,895 and \$35,170 for 2009 and 2008, respectively.

CENTRAL WISCONSIN ELECTRIC COOPERATIVE AND SUBSIDIARY
IOLA, WISCONSIN
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2009 and 2008

NOTE 11. COMMITMENTS

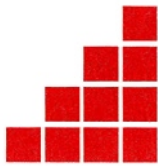
The Cooperative has an agreement effective January 1, 2005, to purchase wholesale power from Alliant Energy/Wisconsin Power & Light at rates established under the Federal Regulatory Commission for a period of 10 years.

NOTE 12. CONTINGENCIES

The Cooperative is periodically involved in various regulatory and legal actions arising in the normal course of business.

NOTE 13. SUBSEQUENT EVENT

Subsequent to January 1, 2010, the Cooperative entered into an agreement to sell its equity investment interest in Badger Energy Services, LLC for \$385,000. The transaction is expected to close in April 2010.



**INDEPENDENT AUDITORS' REPORT
ON SUPPLEMENTARY CONSOLIDATING INFORMATION**

To the Board of Directors
Central Wisconsin Electric Cooperative and Subsidiary
Iola, Wisconsin

Our report on our audits of the consolidated financial statements of Central Wisconsin Electric Cooperative and Subsidiary for the years ended December 31, 2009 and 2008 appears on page 1. Those audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary consolidating information for the year ended December 31, 2009, shown on pages 17-19, is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies. Such information for 2009 has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and, in our opinion, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

Vig & Associates LLC

March 24, 2010

CENTRAL WISCONSIN ELECTRIC COOPERATIVE AND SUBSIDIARY
IOLA, WISCONSIN
SUPPLEMENTARY CONSOLIDATING BALANCE SHEET
December 31, 2009

	Central WI Electric Co-op	CWECC Services, LLC	Totals	Eliminations	Consolidated
ASSETS					
UTILITY PLANT:					
Electric plant in service	\$ 36,300,441	\$ -	\$ 36,300,441	\$ -	\$ 36,300,441
Construction work in progress	1,931,647	-	1,931,647	-	1,931,647
Total utility plant	38,232,088	-	38,232,088	-	38,232,088
Accumulated depreciation	(8,730,277)	-	(8,730,277)	-	(8,730,277)
NET UTILITY PLANT	29,501,811	-	29,501,811	-	29,501,811
INVESTMENTS AND OTHER ASSETS					
(at cost):					
Non-utility property, net of accumulated depreciation	1,057,159	-	1,057,159	-	1,057,159
Investments in associated organizations	6,762,846	256,449	7,019,295	(450,891)	6,568,404
Notes receivable	809,471	254,577	1,064,048	(112,505)	951,543
Other investments	12,791	-	12,791	-	12,791
TOTAL INVESTMENTS AND OTHER ASSETS (at cost)	8,642,267	511,026	9,153,293	(563,396)	8,589,897
CURRENT ASSETS:					
Cash and cash equivalents	40,190	4,870	45,060	-	45,060
Accounts receivable	489,840	-	489,840	-	489,840
Accounts receivable-other	8,624	60,499	69,123	-	69,123
Current portion of notes receivable	142,305	8,583	150,888	-	150,888
Materials and supplies	378,275	-	378,275	-	378,275
Prepayments	81,822	-	81,822	-	81,822
Interest receivable	41,357	-	41,357	-	41,357
TOTAL CURRENT ASSETS	1,182,413	73,952	1,256,365	-	1,256,365
TOTAL ASSETS	\$ 39,326,491	\$ 584,978	\$ 39,911,469	\$ (563,396)	\$ 39,348,073

	Central WI Electric Co-op	CWEC Services, LLC	Totals	Eliminations	Consolidated
LIABILITIES AND EQUITY					
EQUITY:					
Patronage capital	\$ 12,188,658	\$ -	\$ 12,188,658	\$ -	\$ 12,188,658
Memberships	35,720	-	35,720	-	35,720
Other equities	2,687,431	-	2,687,431	-	2,687,431
Retained earnings	-	450,891	450,891	(450,891)	-
TOTAL EQUITY	14,911,809	450,891	15,362,700	(450,891)	14,911,809
LONG-TERM DEBT:					
Advances payable to CWEC Coop	-	112,505	112,505	(112,505)	-
RUS economic development loan, less current portion	270,000	-	270,000	-	270,000
CFC mortgage notes, less current portion	21,236,892	-	21,236,892	-	21,236,892
TOTAL LONG-TERM DEBT	21,506,892	112,505	21,619,397	(112,505)	21,506,892
CURRENT LIABILITIES:					
CFC - Line of credit	1,040,000	-	1,040,000	-	1,040,000
Current maturities of long-term debt	730,295	-	730,295	-	730,295
Accounts payable	247,327	21,578	268,905	-	268,905
Consumer deposits	88,809	-	88,809	-	88,809
Other current and accrued liabilities	697,311	4	697,315	-	697,315
TOTAL CURRENT LIABILITIES	2,803,742	21,582	2,825,324	-	2,825,324
DEFERRED CREDITS	104,048	-	104,048	-	104,048
TOTAL LIABILITIES AND EQUITY	\$ 39,326,491	\$ 584,978	\$ 39,911,469	\$ (563,396)	\$ 39,348,073

See independent auditors' report on supplementary information.

**CENTRAL WISCONSIN ELECTRIC COOPERATIVE AND SUBSIDIARY
IOLA, WISCONSIN
SUPPLEMENTARY CONSOLIDATING STATEMENT OF OPERATIONS
Year Ended December 31, 2009**

	Central WI Electric Co-op	CWEC Services, LLC	Totals	Eliminations	Consolidated
OPERATING REVENUES	<u>\$12,131,729</u>	<u>\$ -</u>	<u>\$12,131,729</u>	<u>\$ -</u>	<u>\$ 12,131,729</u>
OPERATING EXPENSES:					
Cost of purchased power	6,505,777	-	6,505,777	-	6,505,777
Distribution expense - operations	564,432	-	564,432	-	564,432
Distribution expense - maintenance	1,550,189	-	1,550,189	-	1,550,189
Consumer accounts	343,480	-	343,480	-	343,480
Customer service and informational	127,197	-	127,197	-	127,197
Sales expense	83,728	-	83,728	-	83,728
Administrative and general	557,904	-	557,904	-	557,904
Depreciation and amortization	1,061,483	-	1,061,483	-	1,061,483
Taxes	179,468	-	179,468	-	179,468
Other deductions	28,248	-	28,248	-	28,248
TOTAL OPERATING EXPENSES	<u>11,001,906</u>	<u>-</u>	<u>11,001,906</u>	<u>-</u>	<u>11,001,906</u>
OPERATING MARGINS BEFORE FIXED CHARGES	<u>1,129,823</u>	<u>-</u>	<u>1,129,823</u>	<u>-</u>	<u>1,129,823</u>
FIXED CHARGES:					
Interest on long-term debt	1,054,012	2,956	1,056,968	(2,956)	1,054,012
TOTAL FIXED CHARGES	<u>1,054,012</u>	<u>2,956</u>	<u>1,056,968</u>	<u>(2,956)</u>	<u>1,054,012</u>
OPERATING MARGINS AFTER FIXED CHARGES	<u>75,811</u>	<u>(2,956)</u>	<u>72,855</u>	<u>2,956</u>	<u>75,811</u>
NONOPERATING MARGINS:					
Interest income	194,450	-	194,450	-	194,450
Other nonoperating revenues (expenses)	(158,920)	6,745	(152,175)	(6,745)	(158,920)
TOTAL NONOPERATING MARGINS	<u>35,530</u>	<u>6,745</u>	<u>42,275</u>	<u>(6,745)</u>	<u>35,530</u>
GENERATION AND TRANSMISSION AND OTHER CAPITAL CREDITS	<u>286,897</u>	<u>-</u>	<u>286,897</u>	<u>-</u>	<u>286,897</u>
NET MARGINS FOR PERIOD	<u>\$ 398,238</u>	<u>\$ 3,789</u>	<u>\$ 402,027</u>	<u>\$ (3,789)</u>	<u>\$ 398,238</u>

See independent auditors' report on supplementary information.

**CENTRAL WISCONSIN ELECTRIC COOPERATIVE AND SUBSIDIARY
IOLA, WISCONSIN
SUPPLEMENTARY CONSOLIDATING STATEMENT OF CASH FLOWS
Year Ended December 31, 2009**

	Central WI Electric Co-op	CWEC Services, LLC	Totals	Eliminations	Consolidated
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net margins	\$ 398,238	\$ 3,789	\$ 402,027	\$ (3,789)	\$ 398,238
Adjustments to reconcile net margins to net cash provided (used) by operating activities					
Depreciation and amortization	1,235,315	-	1,235,315	-	1,235,315
Noncash increase of investments	(2,515,104)	-	(2,515,104)	-	(2,515,104)
(Increase) decrease in:					
Accounts receivable	(54,532)	(15,195)	(69,727)	-	(69,727)
Material and supplies	184,221	-	184,221	-	184,221
Other current and accrued assets	15,659	-	15,659	-	15,659
Increase (decrease) in:					
Accounts payable	104,817	17,492	122,309	-	122,309
Consumer deposits	5,805	-	5,805	-	5,805
Other current and accrued liabilities	(30,192)	(2,716)	(32,908)	-	(32,908)
Net cash provided (used) by operating activities	(655,773)	3,370	(652,403)	(3,789)	(656,192)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Capital expenditures	(2,947,177)	-	(2,947,177)	-	(2,947,177)
Removal costs (net of salvage)	(262,227)	-	(262,227)	-	(262,227)
Proceeds from investments	699,231	-	699,231	-	699,231
Purchase of investment	(136,497)	4,386	(132,111)	-	(132,111)
(Increase) decrease in notes receivable	105,244	(31,122)	74,122	-	74,122
investment in subsidiary	(3,789)	-	(3,789)	3,789	-
Increase (decrease) in deferred credits	10,940	-	10,940	-	10,940
Net cash provided (used) by investing activities	(2,534,275)	(26,736)	(2,561,011)	3,789	(2,557,222)
CASH FLOWS FROM FINANCING ACTIVITIES:					
Proceeds from long-term debt	3,948,000	-	3,948,000	-	3,948,000
Payments on long-term debt	(656,717)	-	(656,717)	-	(656,717)
Changes in short-term debt (net)	65,000	-	65,000	-	65,000
Other equities	794	-	794	-	794
Retirement of patronage capital and adjustments	(164,423)	-	(164,423)	-	(164,423)
Memberships issued	35	-	35	-	35
Net cash provided (used) by financing activities	3,192,689	-	3,192,689	-	3,192,689
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS					
	2,641	(23,366)	(20,725)	-	(20,725)
CASH AND CASH EQUIVALENTS - BEGINNING	37,549	28,236	65,785	-	65,785
CASH AND CASH EQUIVALENTS - ENDING	\$ 40,190	\$ 4,870	\$ 45,060	\$ -	\$ 45,060
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES:					
Accounts payable	\$ (66,360)	\$ -	\$ (66,360)	\$ -	\$ (66,360)
Nonoperating margins	3,789	-	3,789	-	3,789
Investments in associated organizations	(3,789)	-	(3,789)	-	(3,789)
Construction work in progress	43,850	-	43,850	-	43,850
Materials and supplies	22,510	-	22,510	-	22,510
	\$ -	\$ -	\$ -	\$ -	\$ -

See independent auditors' report on supplementary information.

APPENDIX B

The Guarantor

National Rural Utilities Cooperative Finance Corporation

General Description

National Rural Utilities Cooperative Finance Corporation (“CFC”) is a member-owned cooperative association incorporated under the laws of the District of Columbia in April 1969. CFC’s principal purpose is to provide its members with financing to supplement the loan programs of the Rural Utilities Service of the United States Department of Agriculture. CFC makes loans to its rural electric members so they can acquire, construct, and operate electric distribution, generation, transmission and related facilities. CFC also provides its members with credit enhancements in the form of letters of credit and guarantees of debt obligations. As a cooperative, CFC is owned by and exclusively serves its membership, which consists solely of not-for-profit entities or subsidiaries or affiliates of not-for-profit entities. CFC is exempt from federal income taxes under Section 501(c)(4) of the Internal Revenue Code. As a member-owned cooperative, CFC has no publicly-held equity securities outstanding. CFC funds its activities primarily through a combination of publicly and privately-held debt securities and member investments. CFC’s objective is to offer its members cost-based financial products and services consistent with sound financial management and is not to maximize net income. CFC allocates its net earnings, which consist of net income excluding certain non-cash accounting effects, annually to a cooperative educational fund, a members' capital reserve and to members based on each member's patronage of its loan programs during the year.

For financial statement purposes, CFC’s results of operations and financial condition are consolidated with and include Rural Telephone Finance Cooperative (“RTFC”) and National Cooperative Services Corporation (“NCSC”) and certain entities created and controlled by CFC to hold foreclosed assets and to accommodate loan securitization transactions.

CFC’s annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports (collectively, the “*CFC Reports*”), are available, free of charge, at www.nrucfc.coop, under the link “Investor Relations/Financial Reporting,” as soon as reasonably practicable after they are electronically filed with or furnished to the U.S. Securities and Exchange Commission (“SEC”). The CFC Reports are also available free of charge on the SEC website at www.sec.gov. CFC’s annual report dated August 30, 2010 is incorporated herein by reference, which report contains the consolidated financial statements of CFC and its subsidiaries as of May 31, 2010 and 2009, which have been audited by Deloitte & Touche LLP, independent auditors, as indicated in their reports therein, which expressed unqualified opinions. CFC’s quarterly report dated October 13, 2010, for the quarter ended August 31, 2010, is incorporated herein by reference. CFC’s current reports on form 8-K dated November 10, 2010, October 29, 2010, October 6, 2010, July 28, 2010, and June 3, 2010, respectively, are incorporated herein by reference.

RTFC is a cooperative association originally incorporated in South Dakota in 1987 and

reincorporated as a member-owned cooperative association in the District of Columbia in 2005. RTFC's principal purpose is to provide and arrange financing for its rural telecommunications members and their affiliates. RTFC's membership consists of a combination of not-for-profit entities and for-profit entities. CFC is the sole lender to and manages the lending activities of RTFC through a long-term management agreement. Under a guarantee agreement, RTFC pays CFC a fee, and in exchange, CFC reimburses RTFC for loan losses. RTFC is headquartered with CFC in Herndon, Virginia. RTFC is a taxable cooperative that pays income tax based on its net income, excluding patronage-sourced net earnings allocated to its patrons, as permitted under Subchapter T of the Internal Revenue Code.

NCSC was incorporated in 1981 in the District of Columbia as a member-owned cooperative association. The principal purpose of NCSC is to provide financing to members of CFC and the for-profit and non-profit entities that are owned, operated, or controlled by, or provide substantial benefit to certain members of CFC. NCSC's membership consists of CFC and distribution systems that are members of CFC or are eligible for such membership. CFC is the primary source of funding to and manages the lending activities of NCSC through a management agreement which is automatically renewable on an annual basis unless terminated by either party. Under a guarantee agreement, NCSC pays CFC a fee, and in exchange, CFC reimburses NCSC for loan losses. NCSC is headquartered with CFC in Herndon, Virginia. NCSC is a taxable cooperative, which to date has not allocated its patronage-sourced net earnings to patrons; thus NCSC pays income tax on the full amount of its net income.

APPENDIX C

SUMMARY OF INDENTURE OF TRUST AND LOAN AGREEMENT

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SUMMARY OF INDENTURE OF TRUST AND LOAN AGREEMENT

The following is a summary of certain provisions of the Indenture and the Loan Agreement and is supplemental to the summary of the provisions of such documents set forth elsewhere in this Official Statement. These summaries do not purport to be comprehensive or definitive and reference should be made to the Indenture and the Loan Agreement for a full and complete statement of their respective provisions.

DEFINITIONS OF CERTAIN TERMS

The following is a summary of the definitions of certain terms used in this Summary and elsewhere in this Official Statement. All capitalized terms not defined here or elsewhere in the Official Statement have the meanings set forth in the Indenture.

Act means Sections 66.0304 of the Wisconsin Statutes, as amended from time to time.

Affiliate means any Person which “controls,” is “controlled” by, or is under common “control” with, the Borrower. For purposes of this definition, a Person “controls” another Person when the first Person possesses or exercises directly, or indirectly through one or more other affiliates or related entities, the power to direct the management and policies of the other Person, whether through the ownership of voting rights, membership, the power to appoint members, trustees or directors, by contract, or otherwise.

Authorized Denomination means denominations of \$5,000 or any multiple thereof.

Bond Counsel means any legal counsel selected by the Borrower and reasonably acceptable to the Issuer, the Guarantor, and the Trustee who shall be nationally recognized as expert in matters pertaining to the validity of obligations of governmental issuers and the exemption from federal income taxation of interest on such obligations and experienced in the financing of utility facilities.

Bond Fund means the fund by that name established pursuant to the Indenture.

Bondowner means the Owner of a Bond.

Bonds means any bond or bonds of the series of Fixed Rate Revenue Bonds, Series 2010A (Central Wisconsin Electric Cooperative), aggregating the original principal amount of \$9,000,000, to be issued, authenticated, and delivered under and pursuant to the Indenture.

Borrower means Central Wisconsin Electric Cooperative, a Wisconsin not-for-profit cooperative association, its successors and assigns and any surviving, resulting or transferee entity that may assume its obligations in accordance with the Loan Agreement.

Borrower Representative means the Chairman, Vice Chairman, President/CEO, Secretary, or Treasurer of the Borrower and such other person or persons at the time designated to act on behalf of the Borrower in matters relating to the Indenture and the Loan Agreement as evidenced by a written certificate furnished to the Issuer and the Trustee containing the specimen signature of such person or persons and signed on behalf of the Borrower by its Chairman, Vice Chairman, President/CEO, Secretary, or Treasurer. Such certificate may designate an alternate or alternates, each of whom shall be entitled to perform all duties of the Borrower Representative.

Business Day, means a day other than (a) a Saturday, Sunday or legal holiday, and (b) a day on which banks located in any city in which the designated corporate trust office of the Trustee or of any Paying Agent is located are required or authorized by law to remain closed.

Code means the Internal Revenue Code of 1986, as amended, and, when appropriate, any statutory predecessor or successor thereto, and all applicable regulations thereunder and any applicable official rulings, announcements, notices, procedures and judicial determinations relating to the foregoing.

Completion Date means the date the Project is completed as established in accordance with the Loan Agreement.

Cost of Issuance Fund means the fund by that name established pursuant to the Indenture.

Costs of Issuance means “issuance costs” described in Section 147(g) of the Code, including but not limited to the following:

- (a) underwriter’s compensation (whether realized directly or derived through purchase of the Bonds at a discount below the price at which they are expected to be sold to the public);
- (b) counsel fees (including Bond Counsel, underwriter’s counsel, Issuer’s counsel, and Guarantor’s counsel, as well as any other specialized counsel fees incurred in connection with the borrowing);
- (c) financial advisor fees of any financial advisor to the Issuer or the Borrower incurred in connection with the issuance of such Bonds;
- (d) rating agency fees;
- (e) Trustee, escrow agent and Paying Agent fees;
- (f) fees payable to the Guarantor relating to the Guaranty Agreement;
- (g) accountant fees and other expenses related to issuance of such Bonds;
- (h) printing costs (for such Bonds and of the preliminary and final official statement or other offering document relating to such Bonds); and
- (i) fees and expenses of the Issuer incurred in connection with the issuance of such Bonds.

Counsel means an attorney designated by or acceptable to the Trustee and the Guarantor, duly admitted to practice law before the highest court of any state, including an attorney for the Borrower or the Issuer.

Date of Issuance means December 15, 2010, the date of original issuance of the Bonds.

Defeasance Obligations means:

- (a) Government Obligations which are not subject to redemption prior to maturity; or
- (b) obligations of any state or political subdivision of any state, the interest on which is excluded from gross income for federal income tax purposes and which meet the following conditions:
 - 1. either (A) the obligations are not subject to redemption prior to maturity or (B) the trustee for such obligations has been given irrevocable instructions concerning their call and redemption and the issuer of such obligations has covenanted not to redeem such obligations other than as set forth in such instructions;
 - 2. the obligations are secured by cash or noncallable Government Obligations that may be applied only to payment of principal of, and interest on, such obligations;
 - 3. the sufficiency of such cash and noncallable Government Obligations to pay in full all principal of, and interest on, such obligations has been verified by the report of an independent certified public accountant (a “**Verification**”) and no substitution of Government Obligations shall be permitted except with cash or other Government Obligations and upon delivery of a new Verification;

4. such cash and Government Obligations serving as security for the obligations are held in an irrevocable escrow by an escrow agent or a trustee in trust for the owners of such obligations, at least one year has passed since the establishment of such escrow and the issuer of such obligations is not, and has not been since the establishment of such escrow, a debtor in a proceeding commenced under the United States Bankruptcy Code;

5. the Trustee has received an Opinion of Counsel that such cash and Government Obligations are not available to satisfy any other claims, including those against the trustee or escrow agent;

6. the Trustee has received an Opinion of Bond Counsel delivered in connection with the original issuance of such obligations to the effect that the interest on such obligations was exempt for purposes of federal income taxation, and the Trustee has received an Opinion of Bond Counsel delivered in connection with the establishment of the irrevocable escrow to the effect that the establishment of the escrow will not result in the loss of any exemption for purposes of federal income taxation to which interest on such obligations would otherwise be entitled;

7. the Trustee has received an unqualified opinion of nationally recognized bankruptcy counsel to the effect that the payment of principal of and interest on such obligations made from such escrow would not be avoidable as preferential payments and recoverable under the United States Bankruptcy Code should the obligor or any other Person liable on such obligations become a debtor in a proceeding commenced under the United States Bankruptcy Code; and the obligations are rated in the highest rating category by a nationally recognized securities rating service.

Determination of Taxability means a final, nonappealable determination by the Internal Revenue Service or by a court of competent jurisdiction in the United States that, as a result of failure by the Borrower to observe or perform any covenant, condition or agreement on its part to be observed or performed under the Tax Compliance Agreement or as a result of the inaccuracy of any representation or agreement made by the Borrower under the Tax Compliance Agreement, the interest payable on the Bonds is includable for federal income tax purposes in the gross income of the owners thereof (other than an owner who is a “substantial user” of the Facilities financed or refinanced thereby or a “related person” thereto within the meanings of Section 147(a) of the Code), which final determination follows proceedings of which the Borrower has been given written notice and in which the Borrower, at its sole expense and to the extent deemed sufficient by the Borrower, has been given an opportunity to participate, either directly or in the name of the Bondowners.

Electronic Notice means notice transmitted by electronic mail or facsimile.

Eligible Costs of the Project means the following categorical costs of providing the Project:

- (a) the Costs of Issuance;
- (b) the “**Capitalized Interest Costs**,” namely interest on the Bonds from the date of their original delivery to the Completion Date;
- (c) the “**Engineering Costs**,” namely the architectural and engineering costs and other costs which are or were necessary for the design and planning of the Project;
- (d) the “**Basic Project Costs**,” namely those costs of acquiring, constructing and installing the Project which were incurred after April 16, 2010 and which were or are for the purpose of providing land or property of a character subject to the allowance for depreciation under Section 167 of the Code; and
- (e) the “**Other Costs**,” namely such other costs incurred in connection with the Project or the financing thereof which, in the opinion of Bond Counsel, may be paid or reimbursed to the Borrower from the Project Fund without adverse effect on the legality of the Bonds or the exclusion of interest thereon from gross income for federal income tax purposes under Sections 103(a) and 142(f) of the Code.

Event of Default, for purposes of the Indenture, means any of the events of default specified in the Indenture, and for purposes of the Loan Agreement, means any of the events of default specified in the Loan Agreement.

Facilities means the facilities financed, in whole or in part, with the proceeds of the Bonds as described in the Loan Agreement.

Government Obligations, means the following:

(a) bonds, notes, certificates of indebtedness, treasury bills or other securities constituting direct obligations of, or obligations the principal of and interest on which are wholly and unconditionally guaranteed by, the United States of America; and

(b) evidences of direct ownership of a proportionate or individual interest in future interest or principal payments on specified direct obligations of, or obligations the payment of the principal of and interest on which is unconditionally guaranteed by, the United States of America, which obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian.

Guarantor means National Rural Utilities Cooperative Finance Corporation, a cooperative association incorporated under the laws of the District of Columbia.

Guaranty Agreement means the Guaranty Agreement, dated as of December 1, 2010, from the Guarantor to the Trustee, as supplemented or amended from time to time pursuant to the provisions thereof and of the Indenture.

Indenture means the Indenture of Trust, dated as of December 1, 2010, between the Issuer and the Trustee, and any and all modifications, alterations, amendments and supplements thereto entered into from time to time in accordance with the provisions thereof.

Interest Payment Date means June 1 and December 1 of each year beginning on June 1, 2011.

Issuer means the Public Finance Authority, a body corporate and politic under the laws of the State of Wisconsin.

Issuer's Unassigned Rights means the Issuer's rights under the Loan Agreement relating to: (i) use of the facilities and related matters, (ii) indemnification, (iii) payment of expenses, and (iv) payment of attorneys' fees.

Loan means the loan of the proceeds of the Bonds made by the Issuer to the Borrower pursuant to the Loan Agreement.

Loan Agreement means the Loan Agreement, dated as of December 1, 2010, between the Issuer and the Borrower, as from time to time amended or supplemented by Supplemental Loan Agreements in accordance with the provisions of the Indenture.

Mandatory Sinking Fund Payment means the amount required to be paid on any single date for the retirement of Bonds as described in this Appendix under "**INDENTURE OF TRUST, -Redemption, -Terms of Redemption, -Mandatory Sinking Fund Redemption of Term Bonds.**"

Opinion of Bond Counsel, means a written opinion of Bond Counsel.

Opinion of Counsel, means a written opinion of Counsel.

Outstanding, means with respect to Bonds, as of the date of determination, all Bonds theretofore authenticated and delivered under the Indenture, except:

(a) Bonds theretofore cancelled by the Trustee or delivered to the Trustee for cancellation as provided in the Indenture;

(b) Bonds for whose payment or redemption money or Defeasance Obligations in the necessary amount have been deposited with the Trustee or any Paying Agent in trust for the owners of such Bonds as provided in the Indenture, provided that, if such Bonds are to be redeemed, notice of such redemption has been duly given pursuant to the Indenture or provision therefor satisfactory to the Trustee has been made;

(c) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered under the Indenture; and

(d) Bonds alleged to have been destroyed, lost, or stolen which have been paid as provided in the Indenture;

provided, however, that pursuant to the Indenture certain Bonds shall be disregarded and deemed not to be Outstanding for certain purposes.

Owner means, in respect of a Bond, the Person or Persons in whose name the Bond is registered on the bond registration books maintained by the Trustee pursuant to the Indenture.

Participants means those financial institutions for whom the Securities Depository effects book-entry transfers and pledges of securities deposited with the Securities Depository, as such listing of Participants exists at the time of such reference.

Paying Agent means the Trustee and any other commercial bank or trust institution organized under the laws of any state of the United States of America or any national banking association designated pursuant to the Indenture or any supplemental indenture as paying agent for any Bonds at which the principal of, and interest on, such Bonds shall be payable.

Permitted Investments means, if and to the extent the same are at the time legal for investment of funds held under the Indenture:

(a) Government Obligations;

(b) bonds, notes or other obligations of any state of the United States or any political subdivision of any state, which at the time of their purchase are rated in either of the two highest rating categories by a Rating Service;

(c) certificates of deposit or time or demand deposits constituting direct obligations of any bank, bank holding company, savings and loan association, trust company or other financial institution, except that investments may be made only in certificates of deposit or time or demand deposits which are:

1. insured by the Deposit Insurance Fund of the Federal Deposit Insurance Corporation, or any other similar United States Government deposit insurance program then in existence; or

2. continuously and fully secured by Government Obligations which have a market value, exclusive of accrued interest, at all times at least equal to the principal amount of such certificates of deposit or time or demand deposits; or

3. issued by a bank, bank holding company, savings and loan association, trust company or other financial institution whose outstanding unsecured long-term debt is rated at the time of issuance in either of the two highest rating categories by a Rating Service;

(d) repurchase agreements with any bank, bank holding company, savings and loan association, trust company or other financial institution organized under the laws of the United States or any state, that are continuously and fully secured by Government Obligations which have a market value, exclusive of

accrued interest, at all times at least equal to the principal amount of such repurchase agreements, provided that each such repurchase agreement conforms to current industry standards as to form and time, is in commercially reasonable form, is for a commercially reasonable period, results in transfer of legal title to identified Government Obligations which are segregated in a custodial or trust account for the benefit of the Trustee, and further provided that Government Obligations acquired pursuant to such repurchase agreements shall be valued at the lower of the then current market value thereof or the repurchase price thereof set forth in the applicable repurchase agreement;

(e) investment agreements constituting an obligation of a bank, bank holding company, savings and loan association, trust company, insurance company, financial institution or other credit provider whose outstanding unsecured long-term debt is rated at the time of such agreement in either of the two highest rating categories by a Rating Service;

(f) money market mutual funds that are registered with the U.S. Securities and Exchange Commission, meeting the requirements of Rule 2a-7 under the Investment Company Act of 1940 and that are rated in either of the two highest categories by a Rating Service, including mutual funds from which the Trustee or its affiliates receive fees for investment advisory or other services to the fund;

(g) any other investment approved in writing by the Guarantor.

Person means any natural person, firm, association, corporation, partnership, limited liability company, limited liability partnership, joint stock company, joint venture, trust, unincorporated organization or firm, or a government or any agency or political subdivision thereof or other public body.

Pledged Revenues means all revenues and income derived by or for the account of the Issuer from or for the account of the Borrower pursuant to the terms of the Loan Agreement, the Promissory Note, and the Indenture, including, without limitation (i) all payments and prepayments by the Borrower on the Promissory Note or pursuant to the Loan Agreement, but excluding any amounts derived by the Issuer for its own account pursuant to the enforcement of the Issuer's Unassigned Rights, (ii) the Guaranty Agreement, and (iii) all cash and securities held from time to time in the funds and accounts established under the Indenture, and the investment earnings thereon

Project means the acquisition, construction, installation and equipping of the Facilities.

Project Enterprise means the operation of an electric utility.

Project Fund means the fund by that name established pursuant to the Indenture.

Project Plans and Specifications means the Borrower's architectural and engineering drawings and other plans and specifications for the Project, as amended from time to time in accordance with the Loan Agreement.

Promissory Note means the Borrower's promissory note in the form attached to the Loan Agreement, dated the Date of Issuance, issued in the principal amount of the Bonds payable to the order of the Issuer.

Rating Service means Moody's Investors Service, Inc., if the Bonds are rated by such rating service at the time, or any other nationally recognized securities rating service, designated by the Borrower by notice to the Issuer, the Guarantor and the Trustee, and approved by the Guarantor, that maintains a rating on any of the Bonds.

Redemption Fund means the fund by that name established pursuant to the Indenture.

Regular Record Date means the 15th day (whether or not a Business Day) of the calendar month immediately preceding each Interest Payment Date.

Securities Act means the Securities Act of 1933, as amended.

Securities Depository means The Depository Trust Company, New York, New York, and its successors and assigns, or any successor securities depository appointed pursuant to the Indenture.

Special Record Date means, with respect to any Bond, the date established by the Trustee in connection with the payment of overdue interest on such Bond pursuant to the Indenture.

State means the State of Wisconsin.

Stated Maturity when used with respect to any Bond or any installment of interest thereon means the date specified in such Bond as the fixed date on which the principal of such Bond or such installment of interest is due and payable.

Tax Compliance Agreement means the Tax Compliance Agreement entered into by the Borrower, the Trustee and the Issuer in connection with the issuance and delivery of the Bonds under the Indenture, as the same may be amended or supplemented from time to time in accordance with its terms.

Transaction Documents means the Indenture, the Bonds, the Loan Agreement, the Tax Compliance Agreement, the Guaranty Agreement, and those certificates given by the Issuer, the Borrower, the Guarantor, and the Trustee in connection with the issuance of the Bonds, including any and all amendments or supplements to any of the foregoing; provided, however, that when the words "Transaction Documents" are used in the context of the authorization, execution, delivery, approval or performance of Transaction Documents by a particular party, the same shall mean only those Transaction Documents that provide for or contemplate authorization, execution, delivery, approval or performance by such party.

Trust Estate means

(a) all right, title and interest of the Issuer (including, but not limited to, the right to enforce any of the terms thereof) in, to and under (1) the Promissory Note; (2) the Loan Agreement (but not including the Issuer's Unassigned Rights), the Pledged Revenues, and all other payments owing to the Issuer and paid by the Borrower under the Loan Agreement and the Promissory Note, and (3) all financing statements or other instruments or documents evidencing, securing or otherwise relating to the loan of the proceeds of the Bonds; and

(b) the money and investments from time to time held by or on behalf of the Trustee in the funds and accounts under the terms of the Indenture (provided that any moneys or obligations deposited with or paid to the Trustee for the redemption or payment of Bonds which are deemed to have been paid in accordance with the Indenture shall not constitute a part of the Trust Estate but will be held for and applied only to the payment of such Bonds); and

(c) any and all other property (real, personal or mixed) of every kind and nature from time to time, by delivery or by writing of any kind, pledged, assigned or transferred as and for additional security under the Indenture by the Issuer or by anyone on its behalf or with its written consent to the Trustee, which is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms hereof; and

(d) any and all proceeds of, income from, and earnings on, any of the foregoing.

Trustee means U.S. Bank National Association, and its successor or successors and any other corporation or association which at any time may be substituted in its place pursuant to and at the time serving as trustee under the Indenture.

Underwriter means Robert W. Baird & Co. Incorporated.

LOAN AGREEMENT

The Loan Agreement provides the terms of the loan of the Bond proceeds to the Borrower and the repayment of and security for such loan provided by the Borrower.

Loan Repayment

(1) The Borrower shall repay the Loan in accordance with the Promissory Note. The Promissory Note shall (i) mature on such date and in such principal amount that, upon the Stated Maturity date of such Bonds, shall mature, (ii) bear interest at the same rate, payable at the same times, as such Bonds, and (iii) require the redemption of all or an equal principal amount thereof on each date on which such Bonds are required to be redeemed pursuant to the Indenture. Payments on the Promissory Note shall be made by the Borrower (or by the Guarantor pursuant to the Guaranty Agreement) directly to the Trustee under the Indenture. The Trustee shall deposit all payments on the Promissory Note into the Bond Fund or the Redemption Fund as provided in the Indenture. In any case where a payment to be made by the Borrower pursuant to the Loan Agreement shall be due on a day that is not a Business Day, then such payment may be made on the next succeeding Business Day with the same force and effect as if made on the due date.

(2) The Borrower shall receive a credit against its obligation to make any payment of the principal of, or interest on, the Promissory Note, whether at maturity, upon redemption or otherwise, in an amount equal to, and such obligation shall be fully or partially, as the case may be, satisfied and discharged to the extent of, the amount, if any, credited pursuant to the Indenture against the payment required to be made by or for the account of the Issuer in respect of the corresponding payment of the principal of or interest on the related series of Bonds. The Issuer agrees with the Borrower that at the time all the Bonds cease to be Outstanding (other than by reason of the applicability of clause (c) of the definition of Outstanding), the Trustee shall surrender the Promissory Note to the Borrower.

Additional Payments

In addition to the Loan repayments, the Borrower shall also pay to the Issuer or to the Trustee, as the case may be, “**Additional Payments**,” as follows:

(1) all taxes and assessments of any type or character charged to the Issuer or to the Trustee from payments to be received under the Loan Agreement or in any way arising due to the transactions contemplated thereby (including taxes and assessments assessed or levied by any public agency or governmental authority of whatsoever character having power to levy taxes or assessments) but excluding franchise taxes based upon the capital and/or income of the Trustee and taxes based upon or measured by the net income of the Trustee; provided, however, that the Borrower shall have the right to protest any such taxes or assessments and to require the Issuer or the Trustee, at the Borrower’s expense, to protest and contest any such taxes or assessments levied upon them and that the Borrower shall have the right to withhold payment of any such taxes or assessments pending disposition of any such protest or contest unless such withholding, protest or contest would adversely affect the rights or interests of the Issuer or the Trustee;

(2) all reasonable fees, charges, and expenses of the Trustee for services rendered under the Indenture, as and when the same become due and payable;

(3) the reasonable fees and expenses of such accountants, consultants, attorneys, and other experts as may be engaged by the Issuer or the Trustee to prepare audits, financial statements, reports, opinions or provide such other services required under the Loan Agreement or the Indenture;

(4) a closing fee to the Issuer equal to \$9,000 payable on the date of issuance of the Bonds from amounts in the Project Fund as a Cost of Issuance;

(5) for so long as any Bonds are outstanding, an annual fee to the Issuer in the amount of 0.02% of the Bonds outstanding on the date of calculation, payable in arrears on each December 1, beginning on December 1, 2011 (the “**Issuer’s Annual Fee**”); and

(6) the reasonable fees and expenses of the Issuer in connection with the Loan Agreement, the Bonds or the Indenture, including, without limitation, any and all reasonable expenses incurred in connection with the authorization, issuance, sale, and delivery of any such Bonds or in connection with any litigation which may at any time be instituted involving the Loan Agreement, the Bonds or the Indenture or any of the other documents contemplated thereby, or in connection with the reasonable supervision or inspection of the Borrower, its properties, assets or operations or otherwise in connection with the administration of the Loan Agreement.

Such Additional Payments shall be billed to the Borrower by the Issuer or the Trustee from time to time, together with a statement certifying that the amount billed has been incurred or paid by the Issuer or the Trustee for one or more of the above items. After such a demand, amounts so billed shall be paid by the Borrower within 30 days after receipt of the bill by the Borrower. Notwithstanding the foregoing, the Issuer shall not be required to submit a bill to the Borrower for payment of the Issuer's Annual Fee.

In the event the Borrower should fail to make any of the payments described above, the item in default shall continue as an obligation of the Borrower until the amount in default shall have been fully paid, and the Borrower will pay the same with interest thereon at a rate per annum equal to one percent above the prime or reference rate from time to time publicly announced by and in effect for the largest commercial bank, as measured by assets, in the Seventh Federal Reserve District (with each change in such prime or reference rate resulting in a corresponding change in the rate to be paid hereunder), or, if such rate or rates shall exceed the maximum rate then permitted by law, at the maximum rate permitted by law; provided that, with the exception of the Trustee's fees, interest shall not accrue on such obligation until written notice has been given to the Borrower that such payment is past due.

Prepayment of the Loan

Option to Prepay Loan and to Direct Redemption of the Bonds

With the consent of the Guarantor, the Borrower has the option to prepay the Promissory Note in whole or in part on the dates set forth for redemption of the Bonds described in this Appendix under "**INDENTURE OF TRUST, -Redemption of Bonds, -Terms of Redemption, -Optional Redemption.**". In any such case, the Borrower shall, to exercise its option, notify the Issuer, the Guarantor and the Trustee in writing, designating a redemption date, and, prior to said redemption date, deposit with the Trustee a sum sufficient, with other funds held by the Trustee and available for such purpose, to redeem such Bonds then Outstanding.

Optional Prepayment of Promissory Note Upon Occurrence of Certain Extraordinary Events

With the consent of the Guarantor, the Borrower shall have the option to prepay the Promissory Note in whole or in part, in an amount that is a multiple of \$5,000, upon the following conditions:

(1) The Facilities shall have been damaged or destroyed to such extent that, in the opinion of the Borrower expressed in a certificate of the Borrower's Representative filed with the Issuer, the Trustee and the Guarantor following such damage or destruction, (i) the completion of the Project will be delayed for at least six months, (ii) it is not practicable or desirable to rebuild, repair or restore the Facilities within a period of six consecutive months following such damage or destruction, or (iii) the Borrower is or will be thereby prevented from carrying on its normal operations at the Facilities for a period of at least six consecutive months; or

(2) Title to or the temporary use of all or substantially all of the Facilities shall have been taken under the exercise of the power of eminent domain by any governmental authority to such extent that, in the opinion of the Borrower expressed in a certificate of a Borrower's Representative filed with the Issuer, the Trustee and the Guarantor, (i) the completion of the Project will be delayed for at least six months, or (ii) the Borrower is or will be thereby prevented from carrying on its normal operations at the Facilities for a period of at least six consecutive months; or

(3) Any court or administrative body of competent jurisdiction shall enter a judgment, order or decree requiring the Borrower to cease all or any substantial part of its operations at the Facilities to such extent that, in the opinion of the Borrower expressed in a certificate of a Borrower's Representative filed with the Issuer, the Trustee

and the Guarantor, the Borrower is or will be thereby prevented from carrying on its normal operations at the Facilities for a period of at least six consecutive months; or

(4) As a result of any changes in the Constitution of Wisconsin or the Constitution of the United States of America or of legislative or administrative action (whether state or federal) or by final decree, judgment or order of any court or administrative body (whether state or federal), the Loan Agreement shall have become void or unenforceable or impossible of performance in accordance with the intent and purposes of the parties as expressed in the Loan Agreement, or unreasonable burdens or excessive liabilities shall have been imposed on the Issuer or the Borrower as a consequence of the Bonds or the Promissory Note being Outstanding, including without limitation federal, state or other ad valorem, property, income or other taxes not being imposed on the date of the Loan Agreement.

To exercise such option the Borrower shall give notice to the Issuer, the Guarantor and the Trustee within 90 days following the occurrence of the event which is said to give rise to the right to exercise such option. The notice shall refer to the relevant section of the Loan Agreement, shall describe and give the date of the subject event, shall have attached to it the requisite certificate of a Borrower's Representative, and shall direct a redemption of all Outstanding Bonds pursuant to the Indenture on a specified Business Day for which the notice of redemption required by the Indenture can be given. As between the Issuer and the Borrower, the Borrower shall be entitled to the entire proceeds of any condemnation award or portion thereof made for damages to or takings of the Facilities or other property of the Borrower.

Obligation to Prepay Loan and to Redeem Bonds Upon Determination of Taxability

The Borrower shall be obligated to repay the Loan (in whole or in part, based upon the portion of the Bonds required to be redeemed), to the extent Bonds are required to be redeemed as described in this Appendix under **"INDENTURE OF TRUST, -Redemption of Bonds, -Terms of Redemption, -Mandatory Redemption Upon a Determination of Taxability."** Such prepayment of the Loan, which shall be deposited on or prior to the redemption date, shall be a sum sufficient, together with other funds deposited with the Trustee and available for such purpose, to redeem all of the Bonds to be redeemed at a price equal to 100% of the principal amount thereof plus accrued interest to the date of redemption, and, if no Bonds shall thereafter remain outstanding, to pay all reasonable and necessary fees and expenses of the Trustee, and all other liabilities of the Borrower, accrued and to accrue under the Loan Agreement through the redemption date.

Option to Prepay Loan and to Redeem Bonds from Unused Proceeds

The Borrower shall be obligated to repay the Loan from the proceeds of the Bonds, in part, to the extent Bonds are required to be redeemed as described in this Appendix under **"INDENTURE OF TRUST, -Redemption of Bonds, -Terms of Redemption, -Mandatory Redemption from Unused Proceeds."** Such prepayment of the Loan, which shall be deposited on or prior to the redemption date, shall be a sum sufficient, together with other funds deposited with the Trustee and available for such purpose, to redeem all the Bonds to be redeemed at a price equal to 100% of the principal amount thereof plus accrued interest to the date of redemption, and, if no Bonds shall thereafter remain outstanding, to pay all reasonable and necessary fees and expenses of the Trustee, and all other liabilities of the Borrower, accrued and to accrue under the Loan Agreement through the redemption date.

Obligation to Prepay Loan on Mandatory Sinking Fund Payment Dates

The Borrower shall be obligated to repay the Loan to the extent Term Bonds are required to be redeemed as described in this Appendix under **"INDENTURE OF TRUST, -Redemption of Bonds, -Terms of Redemption, -Mandatory Sinking Fund Redemption of Term Bonds."** Such prepayment of the Loan, which shall be deposited on or prior to the redemption date, shall be a sum sufficient, together with other funds deposited with the Trustee and available for such purpose, to redeem the Term Bonds on the applicable Mandatory Sinking Fund Payment Dates set forth in front part of this Official Statement under **"THE BONDS – Redemption – Mandatory Sinking Fund Redemption of Term Bonds"** at a price equal to 100% of the principal amount thereof plus accrued interest to the date of redemption.

Investment of Indenture Funds.

The Issuer agrees that the Borrower shall have the right to direct the investment of funds held under the Indenture as provided in, and subject to the limitations of, the Indenture. The Borrower acknowledges that regulations of the Comptroller of the Currency grant the Issuer and the Borrower the right to receive brokerage confirmations of securities transactions as they occur. The Borrower specifically waives such notification to the extent permitted by law and acknowledges that it will receive monthly and annual cash transaction statements, which will detail all investment transactions.

Unconditional Obligation to Provide the Issuer with Sufficient Revenues

The Borrower unconditionally agrees that it shall make payments to the Trustee (for the account of the Issuer) in lawful money of the United States of America and in such amounts and at such times (if not sooner required under the terms of the Loan Agreement) as shall be necessary to enable the Trustee to make full and prompt payment when due (whether at stated maturity, upon redemption prior to stated maturity or upon acceleration of stated maturity), of the principal of, and interest on, all Bonds issued under the Indenture. The obligation of the Borrower to make such required payments shall be absolute and unconditional and shall not be subject to diminution by set off, counterclaim, abatement or otherwise; and until such time as the principal of, and interest on, the Bonds shall have been paid or provided for in accordance with the Indenture, the Borrower: (i) will not suspend or discontinue, or permit the suspension or discontinuance of, any payments provided for in the Loan Agreement; (ii) will perform and observe all their other agreements contained in the Loan Agreement; and (iii) will not terminate the Loan Agreement for any cause including without limiting the generality of the foregoing, any defect in title to the Project, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Project, frustration of commercial purpose, any change in the tax or other laws or administrative rulings of or administrative actions by the United States of America or the State of Wisconsin or any political subdivision of either, or any failure of the Issuer to perform and observe any agreement, whether expressed or implied, or any duty, liability or obligation arising out of or in connection with the Loan Agreement. Nothing shall be construed to release the Issuer from the performance of any of the agreements on its part contained in the Loan Agreement; and if the Issuer shall fail to perform any such agreement on its part, the Borrower may institute such action against the Issuer as the Borrower may deem necessary to compel performance, provided that no such action shall violate the agreements on the part of the Borrower contained in the Loan Agreement, or diminish the amounts required to be paid by the Borrower pursuant to the Loan Agreement.

Certain Covenants relating to the Project and Use of the Bond Financed Property

Completion and Location of the Facilities. The Borrower will cause the Project to be acquired, constructed, installed and equipped in accordance with the plans and specifications therefor. The Facilities are or will be owned and operated by the Borrower.

Completion of the Project. The Borrower agrees to complete, or cause to be completed, the Project with all reasonable dispatch in accordance with the Project Plans and Specifications. If the moneys in the Project Fund shall be insufficient to pay the costs of completing the Project, the Borrower shall nevertheless complete the same and shall be responsible for causing the costs thereof to be paid. The Borrower shall procure any and all building permits, use and occupancy permits, public service commission approvals, and other permits, licenses and authorizations necessary for the construction, completion, occupancy and use of the Project.

Amendments to Project Plans and Specifications. The Borrower shall have the right to amend the Project Plans and Specifications and to issue change orders to contractors from time to time as the Borrower shall deem necessary or desirable; provided that the Borrower agrees that it will make no amendment or change to the Project Plans and Specifications which would (i) adversely affect the validity of the Bonds or the exclusion of interest thereon from gross income under the Code.

Issuer and Trustee's Access to Facilities. The Borrower agrees that the Issuer and the Trustee shall have the right, upon appropriate prior notice to the Borrower, to have reasonable access to the Facilities during normal business hours for the purposes of making examinations and inspections of the same.

Maintenance of Facilities/Remodeling. So long as any Bonds are Outstanding, the Borrower shall cause the Facilities to be maintained, preserved and kept in good repair, working order and condition and from time to time cause to be made all necessary and proper repairs, replacements and renewals. The Borrower may dispose of any such element or unit of the Facilities; provided that it provides the Trustee with an Opinion of Bond Counsel to the effect that such disposition will not adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes.

The Borrower shall have the privilege, at its own expense, of causing any of the Facilities to be remodeled or causing substitutions, modifications or improvements to be made to the Facilities from time to time as it, in its discretion, may deem to be desirable for its uses and purposes, which remodeling, substitutions, modifications and improvements shall be included under the terms of the Loan Agreement as part of the Facilities.

Insurance. So long as any Bonds are Outstanding, the Borrower agrees to maintain or cause to be maintained such fire, casualty, public liability and other insurance with respect to the Facilities as is customarily carried by utility companies with respect to similar facilities. All proceeds of such insurance shall be for the account of the Borrower.

Payments of Taxes; Discharge of Liens. The Borrower agrees to pay promptly, as and when the same shall become due and payable, each and every lawful cost, expense and obligation of every kind and nature, foreseen or unforeseen, for the payment of which the Issuer or the Borrower is or shall become liable by reason of their estate or interest in the Project or in any portion thereof, or by reason of or in any manner connected with or arising out of the possession, operation, maintenance, alteration, repair, rebuilding, use or occupancy of the Project or any part thereof. The Borrower also agrees to pay and discharge, promptly as and when the same shall become due and payable, all lawful real estate taxes, personal property taxes, business and occupation taxes, occupational license taxes, assessments for public improvements or benefits and all other lawful governmental taxes, impositions and charges of every kind and nature, ordinary or extraordinary, general or special, foreseen or unforeseen, whether similar or dissimilar to any of the foregoing, and all applicable interest and penalties thereon, if any, which at any time shall be or become due and payable and which shall be lawfully levied, assessed or imposed upon or with respect to, or which shall be or become liens upon, the Project or any portion thereof or any interest of the Borrower therein. The Borrower also agrees to pay or cause to be paid all lawful charges for gas, water, sewer, electricity, light, heat, power, telephone and other utility and service used, rendered or supplied to, upon or in connection with the Project. The Borrower agrees that the Issuer is not, nor shall it be, required to furnish free of charge to the Borrower or any other occupant of the Facilities any gas, water, sewer, electricity, light, heat, power or other facilities, equipment, labor, materials or services of any kind, except as otherwise may be required by law or except as the same shall generally be furnished without charge to other owners or users of comparable property within the Issuer's jurisdiction.

The Borrower shall have the right in good faith and by appropriate proceedings to dispute or contest the validity or amount of any such tax, assessment, governmental charge or utility charge, and during the pendency of any such dispute or contest, the Borrower shall not be deemed to be in default with respect to this covenant by reason of its failure to have paid the disputed or contested amount.

Investments and Arbitrage. The Indenture provides that money held in each of the funds and accounts created thereunder will be invested in Permitted Investments pursuant to written directions of the Borrower Representative. The Borrower agrees (i) to provide written investment directions to the Trustee as needed, (ii) that all of such investment directions are subject to the Indenture and the Tax Compliance Agreement and (iii) that it will not make or direct any use of any funds which will cause the Bonds to be bonds which are arbitrage bonds within the meaning of Section 148 of the Code ("**Arbitrage Bonds**"). The Borrower agrees for the benefit of the Owners of the Bonds that no use will be made of the proceeds derived from the issuance and sale of the Bonds which will cause the Bonds to be Arbitrage Bonds.

The Borrower agrees that it will pay any rebate amount required to be paid on behalf of the Issuer to the United States Treasury pursuant to Section 148(f) of the Code and any proposed, temporary or final regulations promulgated thereunder and, to assure payment of such amount, that it will pay to the Trustee any amount required to be deposited into the Rebate Account pursuant to the Indenture.

Sale or Transfer of the Project. The Borrower may not sell, assign or otherwise transfer all of its interest in the Facilities or the Project (in a single transaction or any series of transactions) unless: (i) the sale, assignment, or transfer is conducted in compliance with and pursuant to the provisions described in this Appendix under “**LOAN AGREEMENT, -Maintenance of Existence; Merger; Consolidation; Transfer of Assets,**” and (ii) the purchaser, assignee, or transferee, as the case may be, shall have assumed in writing all obligations of the Borrower under the Loan Agreement.

Upon the prior written consent of the Guarantor, the Borrower may sell, assign or otherwise transfer less than all its interest in the Facilities or the Project, provided that, so long as any Bonds are Outstanding, (i) such sale, assignment, or other transfer must comply with the covenants and agreements contained in the Tax Compliance Agreement, (ii) any property financed with the proceeds of the Bonds must remain affixed to real property, and (iii) all of the Facilities financed with proceeds of the Bonds must remain in one or more of the following Counties: Waupaca, Marathon, Shawano or Portage.

Maintenance of Existence; Merger; Consolidation; Transfer of Assets. The Borrower agrees that, except as described in the following paragraph, it will maintain its corporate existence, and will neither dissolve nor institute any proceedings for dissolution without the consent of the Guarantor.

The Borrower covenants that it will maintain its corporate existence and qualification to do business in the State and further agrees that it will not (in a single transaction or any series of transactions) dissolve or otherwise dispose of all or substantially all its assets and will not consolidate with or merge into another entity; provided, however, that the Borrower may, without violating the foregoing, consolidate with or merge into another entity, or transfer all or substantially all its assets to another entity (and thereafter be released of all further obligation hereunder and dissolve or not dissolve as it may elect) if:

- (1) the resulting, surviving or transferee entity, as the case may be, is a corporation incorporated, or a partnership, limited liability company, or other recognized legal entity organized, under the laws of one of the States of the United States of America;
- (2) such resulting, surviving or transferee entity has obtained the prior written consent of the Guarantor (or, if there is no Guaranty Agreement then in effect or the Guarantor is in default of its obligations thereunder, the consent of Bondowners owning in aggregate not less than a majority in aggregate principal amount of the Bonds (other than Bonds owned by the Borrower or any “related person” as defined in Section 147(a) of the Internal Revenue Code) at the time Outstanding) to such transaction;
- (3) such resulting, surviving or transferee entity expressly assumes in writing (delivered to the Issuer, the Trustee, and the Guarantor) all the obligations of the Borrower contained in the Loan Agreement and the Promissory Note (after which it shall be the “Borrower” for purposes hereof and thereof);
- (4) the Borrower shall have delivered to the Trustee, the Issuer, and the Guarantor an opinion of Bond Counsel to the effect that such transaction will not adversely affect the validity of the Bonds or result in an Event of Taxability; and
- (5) the Guarantor shall have consented to such transaction.

Annual Financial Statements. The Borrower will have an annual audit made by independent certified public accountants and will furnish the Trustee and the Guarantor (within 120 days after the close of the Borrower’s fiscal year) with a copy of the audited financial statements of the Borrower (which shall include, at a minimum, the balance sheet of the Borrower and statements of income and member’s equity as of the end of and for such fiscal year), together with the report of the Borrower’s independent auditors with respect thereto. The Borrower acknowledges that the Trustee shall make such financial statements available to Owners and beneficial owners of the Bonds as provided in the Indenture. At the same time as delivery of such financial statements, the Borrower shall furnish the Trustee with a written statement signed by a Borrower Representative and stating that the Borrower is not in default under the terms of the Loan Agreement, or, if the Borrower is in default, specifying the nature thereof.

Assurance of Tax Exemption. It is the intention of the Borrower and the Issuer: (i) that the Bonds constitute “recovery zone facility bonds” in accordance with Section 1400U-3 of the Code, as applied with modifications pursuant to the American Recovery and Reinvestment Act of 2009 and (ii) that the interest on the Bonds be excludable from the gross income of the Owners thereof for federal income tax purposes pursuant to Section 103 of the Code, except for any Bond held by a Person referred to in Section 147(a) of the Code. To that end, the Borrower represents, covenants and agrees with the Issuer, the Trustee and all Owners of the Bonds that it will comply with each of the provisions of, and perform each of its obligations under, the Tax Compliance Agreement.

The Borrower shall not be deemed in breach of any representation, covenant or agreement in the preceding paragraph or in the Tax Compliance Agreement to the extent it takes remedial action to prevent a Determination of Taxability that would otherwise be caused by such breach.

Damage; Eminent Domain. If prior to the full payment of the Bonds (or provision for payment thereof having been made to the satisfaction of the Trustee in accordance with the provisions of the Indenture) the Facilities shall be damaged by fire, flood, windstorm or other casualty to such extent that the Borrower has the option of prepaying the Promissory Note pursuant to the Loan Agreement, the Borrower shall either (i) prepay the entire outstanding balance of the Promissory Note in accordance with the Loan Agreement, or (ii) repair, replace or restore the damaged property to such condition as in the judgment of the Borrower will restore the capacity of the Facilities to conduct the Project Enterprise to a level at least equal to the lesser of (A) the capacity of the Facilities to conduct the Project Enterprise as it existed immediately prior to such damage, or (B) the designed capacity of the Facilities to conduct the Project Enterprise on the Date of Issuance.

If prior to full payment of the Bonds (or provision for payment thereof having been made in accordance with the provisions of the Indenture) the Facilities shall be taken by eminent domain, in whole or in part, to such extent that the Borrower has the option of prepaying the Promissory Note pursuant to the Loan Agreement, the Borrower shall either (i) prepay the entire outstanding balance of the Promissory Note in accordance with the Loan Agreement, or (ii) acquire such new property as in the judgment of the Borrower will be necessary to restore the capacity of the Facilities to conduct the Project Enterprise to a level at least equal to the lesser of (A) the capacity of the Project to conduct the Project Enterprise as it existed immediately prior to such taking, or (B) the designed capacity of the Facilities to conduct the Project Enterprise on the Date of Issuance.

Events of Default and Remedies

Events of Default. Events of Default under the Loan Agreement include:

- (1) Failure of the Borrower to make any payment on the Promissory Note when due; or
- (2) Failure of the Borrower to observe and perform any of the covenants, conditions or agreements described in this Appendix under “**LOAN AGREEMENT, -“Unconditional Obligation to Provide Issuer with Sufficient Revenues,” – “Sale or Transfer of the Project,” – “Maintenance of Existence; Merger; Consolidation; Transfer of Assets,”** or to comply with its indemnification obligations under the Loan Agreement; or
- (3) Failure of the Borrower to observe and perform any covenant, condition or agreement on its part required to be observed or performed by the Borrower under Loan Agreement or under the Promissory Note (other than as provided in clause (a) or (b) above), which continues for a period of 30 days after written notice delivered by the Issuer or the Trustee to the Borrower and the Guarantor, which notice shall specify such failure and request that it be remedied, unless the Issuer and the Trustee shall agree in writing to an extension of such time; provided, however, that if the failure stated in the notice cannot be corrected within such period, the Issuer and the Trustee will not unreasonably withhold their consent to an extension of such time if corrective action is instituted within such period and diligently pursued in good faith until the default is corrected; or
- (4) The dissolution or liquidation of the Borrower or the filing by the Borrower of a voluntary petition in bankruptcy, or failure by the Borrower promptly to cause to be lifted any execution, garnishment or attachment of such consequence as will impair the Borrower’s ability to carry on its obligations hereunder, or the entry of any

order or decree granting relief in any involuntary case commenced against the Borrower under any present or future federal bankruptcy act or any similar federal or state law, or a petition for such an order or decree shall be filed in any court and such petition shall not be discharged or denied within ninety days after the filing thereof, or if the Borrower shall admit in writing its inability to pay its debts generally as they become due, or a receiver, trustee or liquidator of the Borrower shall be appointed in any proceeding brought against the Borrower and shall not be discharged within ninety days after such appointment or if the Borrower shall consent to or acquiesce in such appointment, or assignment by the Borrower for the benefit of its creditors, or the entry by the Borrower into an agreement of composition with its creditors, or a bankruptcy, insolvency or similar proceeding shall be otherwise initiated by or against the Borrower under any applicable bankruptcy, reorganization or analogous law as now or hereafter in effect and if initiated against the Borrower shall remain undismissed (subject to no further appeal) for a period of ninety days; provided, the term "dissolution or liquidation of the Borrower," as used in this paragraph, shall not be construed to include the cessation of the existence of the Borrower resulting either from a merger or consolidation of the Borrower into or with another entity or a dissolution or liquidation of the Borrower following a transfer of all or substantially all its assets as an entirety or under the conditions permitting such actions contained in the Loan Agreement; or

(5) The existence of an "Event of Default" (as respectively defined therein) under the Indenture or the Guaranty Agreement.

Remedies on Default. If an Event of Default under the Loan Agreement shall occur and be continuing:

(1) the Trustee, with the consent of the Guarantor, and by written notice to the Issuer and the Borrower, shall declare the unpaid balance of the Promissory Note to be due and payable immediately, provided that concurrently with or prior to such notice the unpaid principal amount of the Bonds shall have been declared to be due and payable under the Indenture. Upon any such declaration such amount shall become and shall be immediately due and payable as determined in accordance with the provisions described in this Appendix under "**INDENTURE OF TRUST, -Acceleration of Maturity; Rescission and Annulment.**"

(2) The Trustee may have access to and may inspect, examine and make copies of the books and records and any and all accounts, data and federal income tax and other tax returns of the Borrower.

(3) The Issuer or the Trustee may take whatever action at law or in equity as may be necessary or desirable to collect the payments and other amounts then due and thereafter to become due or to enforce performance and observance of any obligation, agreement or covenant of the Borrower under the Loan Agreement.

In case the Trustee, the Guarantor, or the Issuer shall have proceeded to enforce its rights under the Loan Agreement, and such proceedings shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee, the Guarantor, or the Issuer, then, and in every such case, the Borrower, the Trustee, the Guarantor, and the Issuer shall be restored respectively to their several positions and rights hereunder, and all rights, remedies and powers of the Borrower, the Trustee, the Guarantor, and the Issuer shall continue as though no such action had been taken.

The Borrower covenants that, in case an Event of Default under the Loan Agreement shall occur with respect to payment on the Promissory Note, then, upon demand of the Trustee, the Borrower will pay to the Trustee the whole amount that then shall have become due and payable in accordance with the provisions described in this Appendix under "**INDENTURE OF TRUST, -Acceleration of Maturity; Rescission and Annulment,**" with interest on the amount then overdue at the rate then borne by the Bonds on the day prior to the occurrence of such default.

In the case the Borrower shall fail forthwith to pay such amounts upon such demand, the Trustee shall be entitled and empowered to institute any action or proceeding at law or in equity for the collection of the sums so due and unpaid, and may prosecute any such action or proceeding to judgment or final decree, and may enforce any such judgment or final decree against the Borrower and collect in the manner provided by law the moneys adjudged or decreed to be payable.

In case proceedings shall be pending for the bankruptcy or for the reorganization of the Borrower under the federal bankruptcy laws or any other applicable law, or in case a receiver or trustee shall have been appointed for the property of the Borrower or in the case of any other similar judicial proceedings relative to the Borrower, or the creditors or property of the Borrower, then the Trustee shall be entitled and empowered, by intervention in such proceedings or otherwise, to file and prove a claim or claims for the whole amount owing and unpaid pursuant to the Loan Agreement and, in case of any judicial proceedings, to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee allowed in such judicial proceedings relative to the Borrower, its creditors or its property, and to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute such amounts as provided in the Indenture after the deduction of its reasonable charges and expenses to the extent permitted by the Indenture. Any receiver, assignee or trustee in bankruptcy or reorganization is hereby authorized to make such payments to the Trustee, and to pay to the Trustee and the Issuer any amount due each of them for their respective reasonable compensation and expenses, including reasonable expenses and fees of counsel incurred by each of them up to the date of such distribution.

In the event the Trustee incurs expenses or renders services in any proceedings which result from an event of default described in item (4) in this Appendix under “**LOAN AGREEMENT – Events of Default and Remedies, -Events of Default,**” or from any default which, with the passage of time, would become such Event of Default, the expenses so incurred and compensation for services so rendered are intended to constitute expenses of administration under the United States Bankruptcy Code or equivalent law.

No Remedy Exclusive. No remedy conferred upon or reserved to the Issuer by the Loan Agreement is intended to be exclusive of any other available remedy or remedies, but each and every such remedy shall be cumulative and shall be in addition to every other remedy given under the Loan Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right or power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Issuer to exercise any remedy reserved to it under the Loan Agreement, it shall not be necessary to give any notice, other than such notice as may be herein expressly required.

Amendments and Supplements of Loan Agreement

Except as otherwise expressly provided in the Loan Agreement or in the Indenture, subsequent to the original issuance of any Bonds and before the Indenture is satisfied and discharged in accordance with its terms, the Loan Agreement may not be amended, changed or modified except in accordance with the Indenture.

INDENTURE OF TRUST

General

The Indenture sets forth the terms of the Bonds, the nature and extent of the security for the Bonds, various rights of the Bondowners, the rights duties and immunities of the Trustee, and the rights and obligations of the Issuer.

Pledge and Assignment

The Issuer pledges, conveys, assigns, and grants to the Trustee a security interest in, the Trust Estate.

Establishment of Funds and Accounts

The Indenture creates: (1) the Bond Fund; (2) the Redemption Fund; (3) the Cost of Issuance Fund; and (4) the Project Fund. All such funds will be held by the Trustee and applied as provided in the Indenture.

Bond Fund

The Trustee shall deposit and credit to the Bond Fund, as and when received, the following:

- i. That portion of the purchase price of Bonds paid by the Underwriter thereof equal to the accrued interest, if any, on the Bonds from the date thereof to the date of issuance and delivery thereof;
- ii. Each of the payments made by the Borrower on the Promissory Note and all payments made by the Borrower as described in this Appendix under “**LOAN AGREEMENT -Loan Repayment**”
- iii. Interest earnings and other income on Permitted Investments required to be deposited in the Bond Fund in accordance with the Indenture;
- iv. Any amount required to be transferred from the Project Fund in accordance with the Indenture; and
- v. All other moneys received by the Trustee under and pursuant to any of the provisions of the Indenture or the Loan Agreement, when accompanied by directions from the Person depositing such moneys that such moneys are to be paid into the Bond Fund.

The money in the Bond Fund shall be held in trust and shall be applied solely in accordance with the provisions of this Indenture to pay the principal of, and interest on, the Bonds as the same become due and payable at maturity, upon redemption, by acceleration or otherwise.

The Trustee is to receive from the Borrower pursuant to Promissory Note the full amount of principal of, and interest due on, the Bonds on each Interest Payment Date, Stated Maturity, redemption date, or acceleration date, as the case may be. If there is not sufficient money in the Bond Fund by 12:00 noon, New York City time, two Business Days preceding any Interest Payment Date, Stated Maturity, redemption date, or acceleration date, as the case may be, to pay all principal of, and interest on, the Bonds due on such date, then, by 5:00 p.m. New York City time, two Business Days preceding such Interest Payment Date, Stated Maturity, redemption date, or acceleration date, as the case may be, the Trustee shall give Electronic Notice to the Borrower of any such deficiency and shall notify the Guarantor and make a demand under the Guaranty Agreement in accordance with the Indenture.

The Trustee is authorized and directed to withdraw sufficient funds from the Bond Fund to pay principal of, and interest on, the Bonds as the same become due and payable at Stated Maturity or upon redemption and to make said funds so withdrawn available to any Paying Agent for the purpose of paying said principal and interest.

The Trustee, upon the written instructions from the Issuer given pursuant to written direction of the Borrower, with the consent of the Guarantor, shall use excess moneys in the Bond Fund to redeem all or part of the

Bonds Outstanding and to pay interest to accrue thereon prior to such redemption on the next succeeding redemption date for which the required redemption notice may be given or on such later redemption date as may be specified by the Borrower, in accordance with the provisions of the Indenture, so long as the Borrower is not in default with respect to any payments under the Loan Agreement and to the extent said moneys are in excess of the amount required for payment of Bonds theretofore matured or called for redemption. The Borrower may cause such excess money in the Bond Fund or such part thereof or other money of the Borrower, as the Borrower may direct, to be applied by the Trustee on a best efforts basis for the purchase of Bonds in the open market for the purpose of cancellation at prices not exceeding the principal amount thereof plus accrued interest thereon to the date of such purchase. Upon satisfaction and discharge of the Indenture, all amounts remaining in the Bond Fund shall be paid to the Borrower.

Redemption Fund. The Trustee shall deposit into the Redemption Fund, when and as received:

- i. interest earnings and other income on Permitted Investments required to be deposited in the Redemption Fund pursuant to the Indenture; and
- ii. any additional moneys which the Borrower may deliver to the Trustee with the instruction that such moneys be deposited into the Redemption Fund.

Costs of Issuance Fund. The Trustee shall deposit into the Cost of Issuance Fund, when and as received, a portion of original proceeds of the Bonds as directed pursuant to the Indenture.

The Trustee is hereby authorized and directed to disburse moneys from the Cost of Issuance Fund to pay (or reimburse the Borrower for) the Costs of Issuance.

If an Event of Default shall have happened and be continuing, the Trustee may apply moneys in the Cost of Issuance Fund as described in this Appendix under “**INDENTURE OF TRUST, -Application of Money Collected**”.

Any remaining balance in the Cost of Issuance Fund shall be transferred to the Project Fund in accordance with the Loan Agreement.

Project Fund. The Trustee shall deposit into the Project Fund, when and as received:

- i. a portion of original proceeds of the Bonds as directed by the Issuer on the Date of Issuance in accordance with the Indenture;
- ii. interest earnings and other income on Permitted Investments required to be deposited in the Project Fund pursuant to the Indenture;
- iii. any additional moneys which the Borrower may deliver to the Trustee from time to time with the instruction that such moneys be deposited into the Project Fund; and
- iv. moneys required to be deposited into the Project Fund under the terms of a Supplemental Indenture.

The Trustee is authorized and directed to disburse moneys from the Project Fund to pay (or reimburse the Borrower for) the Engineering Costs, the Basic Project Costs, the Capitalized Interest Costs and the Other Costs (as defined in the definition of “Eligible Costs of the Project”).

Upon the occurrence of an Event of Default under the Indenture or the Loan Agreement, or the occurrence of an event which, with the passage of time or the giving of notice or both, would become an Event of Default under the Indenture or the Loan Agreement, no further disbursements may be made from the Project Fund without the consent of the Guarantor.

Upon the closing of the Project Fund in accordance with the Loan Agreement, that portion of any remaining balance in the Project Fund shall be transferred to the Bond Fund.

Investment of Moneys. Money held in each of the funds and accounts under the Indenture shall, pursuant to written directions of the Borrower Representative, be invested and reinvested by the Trustee in accordance with the provisions of the Indenture and the Tax Compliance Agreement in Permitted Investments which mature or are subject to redemption by the owner thereof prior to the date such funds are expected to be needed; provided, however, that if a Borrower Representative fails to provide such written directions to the Trustee, and the Indenture and the Tax Compliance Agreement do not otherwise direct or limit such investment, money as to which no written directions have been received shall be invested in investments described in paragraph (f) of the definition of "Permitted Investments." The Trustee agrees to comply with all provisions with respect to the investment of moneys in the funds and accounts under the Indenture specified in the Tax Compliance Agreement. The Trustee may make any investments permitted by the provisions of this paragraph through its own bond department or short-term investment department and may pool money for investment purposes, except money held in any fund or account that are required to be yield restricted in accordance with the Tax Compliance Agreement, which shall be invested separately. Any such Permitted Investments shall be held by or under the control of the Trustee and shall be deemed at all times a part of the fund or account in which such money are originally held. The interest accruing on each fund or account and any profit realized from such Permitted Investments shall be credited to such fund or account, and any loss resulting from such Permitted Investments shall be charged to such fund or account; except that any interest accruing on or profit realized from the Cost of Issuance Fund shall be credited to the Project Fund. The Trustee shall sell or present for redemption and reduce to cash a sufficient amount of such Permitted Investments whenever it shall be necessary to provide money in any fund or account for the purposes of such fund or account and the Trustee shall not be liable for any loss resulting from such investments. Any money that is to be used to pay principal of or interest on or the redemption price of Bonds shall be invested only in Government Obligations or shares of money market mutual funds that are registered with the U.S. Securities and Exchange Commission, meeting the requirements of Rule 2a-7 under the Investment Company Act of 1940 and that are rated in the highest rating category by Moody's Investors Service, Inc. or Standard & Poor's Ratings Service, such investments to mature or be subject to redemption at the option of the holder not later than (i) 30 days from the date of the investment, or (ii) the date the Trustee anticipates such funds are to be applied.

To the extent required by law, the Trustee shall take the following actions to provide for payment to the United States Treasury pursuant to Section 148(f) of the Internal Revenue Code and any proposed, temporary or final regulations promulgated thereunder:

(1) The Trustee shall take reasonable steps to ensure that the Borrower has engaged Bond Counsel or another qualified rebate determination provider to prepare a determination of the amount, if any, of rebate required to be paid with respect to the Bonds to the United States Treasury at least every five years (as of the anniversary date of the issuance of the Bonds) and upon the retirement of the last Bond; provided that, no such determination shall be required on any anniversary after the fifth anniversary if the Trustee shall have received an Opinion of Bond Counsel to the effect that no additional rebate amount will be required to be paid to the United States Treasury on such subsequent anniversary dates or upon the retirement of the last Bond pursuant to Section 148(f) of the Internal Revenue Code. The Borrower shall pay reasonable compensation to the provider for the performance of such services.

(2) An amount equal to the rebate amount due shall be paid by the Borrower to the Trustee pursuant to the Loan Agreement and deposited by the Trustee into a special account established with the Trustee and designated with the names of the Issuer and the Borrower and the label "**Rebate Account**," which shall be held for the sole benefit of the United States Treasury and shall not be or be deemed to be a Trust Fund.

(3) The Trustee shall make rebate payments to the United States Treasury from the Rebate Account on the dates and in the manner required by law, as indicated by an Opinion of Bond Counsel or otherwise determined by the Trustee.

Terms of the Bonds

The Bonds shall be issued as fully registered bonds, without coupons, in Authorized Denominations. The Bonds shall initially be registered in the name of Cede & Co., the nominee for the initial Securities Depository. Registered ownership of the Bonds, or any portion thereof, may not thereafter be transferred except as set forth in the Indenture. The Bonds shall be dated the Date of Issuance. The Bonds shall mature on the dates in the amounts (subject to the right of prior redemption set forth in the Indenture) and shall bear interest at the rates per annum as set forth in the Indenture.

The principal of, and interest on, the Bonds shall be payable in any coin or currency of the United States of America which on the respective dates of payment thereof is legal tender for the payment of public and private debts. The Bonds shall be numbered from R-1 consecutively upward in order of issuance or in such other manner as the Trustee shall designate. The Bonds shall bear interest from the Date of Issuance, payable on each Interest Payment Date. Interest shall be computed on the basis of a 360-day year of twelve 30-day months.

Book Entry System; Securities Depository

The Bonds shall initially be registered in the name of Cede & Co., the nominee for the initial Securities Depository, and no beneficial owner will receive certificates representing their respective interests in the Bonds, except in the event the Trustee issues Replacement Bonds as hereafter described. It is anticipated that during the term of the Bonds, the Securities Depository will make book-entry transfers among its Participants and receive and transmit payment of principal of, and interest on, such Bonds to the Participants until and unless the Trustee authenticates and delivers Replacement Bonds to the beneficial owners as described in the following paragraph.

If (1) the Borrower determines (A) that the Securities Depository is unable to properly discharge its responsibilities, or (B) that the Securities Depository is no longer qualified to act as a securities depository and registered clearing agency under the Securities Exchange Act of 1934, as amended (the “**1934 Act**”), or (C) that the continuation of a Book-Entry System to the exclusion of the Bonds being issued to any Bondowner other than the Securities Depository or its nominee is no longer in the best interests of the beneficial owners of such Bonds, or (2) the Trustee receives written notice from Participants having interests in not less than 50% of the principal amount of the Bonds Outstanding, as shown on the records of the Securities Depository (and certified to such effect by the Securities Depository), that the Participants have determined that the continuation of a Book-Entry System to the exclusion of any Bonds being issued to any Bondowner other than the Securities Depository or its nominee is no longer in the best interests of the beneficial owners of the Bonds, then the Trustee shall notify the Bondowners of such determination or such notice and of the availability of bond certificates to owners requesting the same, and the Trustee shall register in the name of and authenticate and deliver Replacement Bonds to the beneficial owners or their nominees in principal amounts representing the interest of each, making such adjustments as it may find necessary or appropriate as to accrued interest and previous calls for redemption; provided, that in the case of a determination under (1)(A) or (1)(B) of this paragraph, the Borrower, with the consent of the Trustee and the Guarantor, may select a successor securities depository in accordance with the following paragraph to effect book-entry transfers. In such event, all references to the Securities Depository shall relate to the period of time when the Securities Depository has possession of at least one Bond which is held in its Book-Entry System. If the Securities Depository resigns and the Borrower, the Trustee or Bondowners are unable to select a qualified successor of the Securities Depository in accordance with the following paragraph, then the Trustee shall authenticate and cause delivery of Replacement Bonds to Bondowners. The Trustee may rely on information from the Securities Depository and its Participants as to the names of the beneficial owners of the Bonds. The cost of printing, registration, authentication, and delivery of Replacement Bonds shall be paid by the Borrower.

In the event the Securities Depository resigns, is unable to properly discharge its responsibilities, or is no longer qualified to act as a securities depository and registered clearing agency under the 1934 Act, the Borrower may appoint a successor Securities Depository, provided the Trustee receives written evidence satisfactory to the Trustee and the Guarantor with respect to the ability of the successor Securities Depository to discharge its responsibilities. Any such successor Securities Depository shall be a securities depository which is a registered clearing agency under the 1934 Act, or other applicable statute or regulation that operates a securities depository upon reasonable and customary terms. The Trustee upon its receipt of a Bond or Bonds for cancellation shall cause

the delivery of Bonds to the successor Securities Depository in appropriate denominations and form as provided herein.

Registration, Transfer and Exchange of Bonds; Transfer Restrictions

The Trustee shall cause to be kept at its designated corporate trust office a register in which, subject to such reasonable regulations as it may prescribe, the Trustee shall provide for the registration, transfer and exchange of Bonds as herein provided (referred to herein as the “**Bond Register**”). The Trustee is appointed “bond registrar” for the purpose of registering Bonds and transfers of Bonds as provided in the Indenture.

Bonds may be transferred or exchanged only upon the Bond Register maintained by the Trustee as provided in this Section (and while the Bonds are registered in the name of a Securities Depository, as described under “**Book-Entry System; Securities Depository**” above). Upon surrender for transfer or exchange of any Bond at the designated corporate trust office of the Trustee, the Issuer shall execute, and the Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Bonds of the same Stated Maturity, of any Authorized Denominations and of a like aggregate principal amount.

Every Bond presented or surrendered for transfer or exchange shall (if so required by the Issuer or the Trustee, as bond registrar) be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Trustee, as bond registrar, duly executed by the Owner thereof or his attorney or legal representative duly authorized in writing.

All Bonds issued upon any transfer or exchange of Bonds shall be the valid limited obligations of the Issuer, evidencing the same debt, and entitled to the same security and benefits under this Indenture, as the Bonds surrendered upon such transfer or exchange.

No service charge shall be made for any registration, transfer or exchange of Bonds, but the Trustee or Securities Depository may require payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in connection with any transfer or exchange of Bonds, and such charge shall be paid before any such new Bond shall be delivered. The fees and charges of the Trustee for making any transfer or exchange and the expense of any bond printing necessary to effect any such transfer or exchange shall be paid by the Borrower. In the event any Owner fails to provide a correct taxpayer identification number to the Trustee, the Trustee may impose a charge against such Owner sufficient to pay any governmental charge required to be paid as a result of such failure. To the extent permitted by Section 3406 of the Code, such amount may be withheld by the Trustee from amounts otherwise payable to such Owner hereunder or under the Bonds.

The Trustee shall not be required (i) to transfer or exchange any Bond during a period beginning at the opening of business 15 days before the day of the first mailing of a notice of redemption of Bonds and ending at the close of business on the day of such mailing, or (ii) to transfer or exchange any Bond so selected for redemption, in whole or in part, during a period beginning at the opening of business on any Regular Record Date for such Bonds and ending at the close of business on the relevant Interest Payment Date therefor.

The Issuer, the Borrower, the Guarantor, the Trustee and any agent of the Issuer, the Borrower or the Trustee may treat the Person in whose name any Bond is registered as the owner of such Bond for the purpose of receiving payment of principal of, and interest on, such Bond and for all other purposes whatsoever, except as otherwise provided in this Indenture, whether or not such Bond is overdue, and, to the extent permitted by law, neither the Issuer, the Borrower, the Guarantor, the Trustee nor any such agent shall be affected by notice to the contrary.

The Person in whose name any Bond shall be registered on the Bond Register shall be deemed and regarded as the absolute owner thereof for all purposes, except as otherwise provided in this Indenture, and payment of or on account of the principal of, and interest on, any such Bond shall be made only to or upon the order of the Owner thereof or his legal representative, but such registration may be changed as herein provided. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

At reasonable times and under reasonable regulations established by the Trustee, the bond register maintained by the Trustee may be inspected and copied by the Issuer, the Borrower, the Guarantor, or the Owners of 10% or more in principal amount of Bonds Outstanding or the authorized representative thereof, provided that the ownership of such Owner and the authority of any such designated representative shall be evidenced to the satisfaction of the Trustee.

Redemption of Bonds

Terms of Redemption.

The Bonds are subject to optional and mandatory redemption prior to Stated Maturity as follows:

(1) *Optional Redemption.* Upon prepayment of the Promissory Note in accordance with the Loan Agreement, and with the consent of the Guarantor, the Bonds are subject to redemption by the Issuer, in whole or in part, in an amount that is a multiple of \$5,000, solely at the option of the Borrower, which shall be exercised upon the written direction of the Borrower, on December 1, 2020 and on any Business Day thereafter, at a redemption price equal to 100% of the principal amount thereof, without premium, plus accrued interest thereon to the redemption date.

(2) *Extraordinary Optional Redemption.* Upon prepayment of the Promissory Note in accordance with, and upon the satisfaction of the conditions described in this Appendix under “**LOAN AGREEMENT, - Prepayment of the Loan, -Optional Prepayment of Promissory Note Upon Occurrence of Certain Extraordinary Events**”, and with the consent of the Guarantor, the Bonds are subject to redemption and payment prior to the Stated Maturity thereof by the Issuer which shall be exercised upon the written direction of the Borrower, in whole or in part, in an amount that is a multiple of \$5,000, on any Business Day, at a redemption price equal to 100% of the principal amount thereof, without premium, plus accrued interest thereon to the redemption date.

(3) *Mandatory Redemption Upon a Determination of Taxability.* Upon prepayment of the Promissory Note in accordance with the Loan Agreement, the Bonds shall be redeemed, at a redemption price equal to 100% of the principal amount thereof, without premium, upon written notice to the Borrower by the Trustee of the occurrence of a Determination of Taxability with respect to the Bonds, on any Business Day within 30 days of the Borrower’s receipt of such notice. The Trustee shall give prompt written notice to the Borrower of the occurrence of any event of which the Trustee has knowledge which could reasonably be expected to give rise to a Determination of Taxability with respect to either Bonds. Such Bonds shall be redeemed, either in whole or in part, in such principal amount that, upon such redemption, the interest payable on such Bonds remaining outstanding after such redemption would not be so includable for federal income tax purposes in the gross income of the Owners thereof.

(4) *Mandatory Redemption from Unused Proceeds.* The Bonds shall be redeemed prior to Stated Maturity, from any amounts transferred from the Project Fund to the Bond Fund upon the closing of the Project Fund. If there are moneys remaining in the Project Fund upon the closing thereof pursuant to the Loan Agreement, the Trustee shall establish a redemption date, which shall be within 45 days of the Trustee’s receipt of the certificate of a Borrower Representative establishing the Completion Date. The redemption price shall be 100% of the principal amount of the Bonds or portions thereof so redeemed, plus accrued interest to the redemption date. The principal amount of the Bonds to be redeemed shall be the largest multiple of \$5,000 that can be paid from the amount so transferred.

(5) *Mandatory Sinking Fund Redemption of Term Bonds.* The Term Bonds are subject to redemption prior to their stated maturity dates in part, by lot, from Mandatory Sinking Fund Payments. The Bonds in the original principal amount of \$745,000 which mature on December 1, 2020 are referred to herein as the “*2020 Term Bonds*”. The Bonds in the original principal amount of \$2,665,000 which mature on December 1, 2030 are referred to herein as the “*2030 Term Bonds*”. The Bonds in the original principal amount of \$4,655,000 which mature on December 1, 2040 are referred to herein as the “*2040 Term Bonds*”. The 2020 Term Bonds, the 2030 Term Bonds and the 2040 Term Bonds (collectively, the “*Term Bonds*”) shall be redeemed prior to their stated maturity dates (or paid at maturity, as the case may be) at a Redemption Price equal to 100% of the principal amount of Bonds called for redemption, together with interest accrued thereon to the date fixed for redemption, without premium, by

application of Mandatory Sinking Fund Payments in the amounts and on the dates set forth in the front part of this Official Statement under “**THE BONDS – Redemption – Mandatory Sinking Fund Redemption of Term Bonds.**”

The principal amount of the Bonds to be redeemed on any particular Mandatory Sinking Fund Payment Date may, at the option of the Borrower, be reduced by the principal amount of any Bonds which (i) have been redeemed as described under (1), (2) or (4) above, at least 60 days prior to such Mandatory Sinking Fund Payment Date, and (ii) have not previously formed the basis for such reduction.

Election of Bonds to Redeem; Notice to Trustee. In case of any redemption described under *Optional Redemption* or *Extraordinary Optional Redemption* above, the Borrower shall, at least 40 days prior to the redemption date fixed by the Borrower (unless a shorter notice shall be satisfactory to the Trustee) give written notice to the Issuer, the Guarantor and the Trustee directing the Trustee to call Bonds for redemption and give notice of redemption and specifying the redemption date, the principal amount, and maturities of Bonds to be called for redemption, the applicable redemption price or prices and the provision or provisions of this Indenture pursuant to which such Bonds are to be called for redemption. The written consent of the Guarantor shall be delivered to the Trustee concurrently with any such notice.

The foregoing provisions shall not apply in the case of any redemption of Bonds described under *Mandatory Redemption Upon a Determination of Taxability*, *Mandatory Redemption from Unused Proceeds* or *Mandatory Sinking Fund Redemption of Term Bonds* above, and the Trustee shall call such Bonds for redemption and shall give notice of redemption pursuant to such mandatory redemption requirements without the necessity of any action by the Issuer or the Borrower and whether or not the Trustee shall hold in the Bond Fund money available and sufficient to effect the required redemption.

Notice of Redemption. Unless waived by any Owner of Bonds to be redeemed, official notice of any redemption of Bonds shall be given by the Trustee on behalf of the Issuer by mailing a copy of an official notice of such redemption by first class mail, at least 30 days prior to the redemption date, to each Owner of Bonds to be redeemed at the address shown on the bond register or at such other address as is furnished in writing by such Owner to the Trustee; provided that no defect in or failure to give any such redemption notice shall affect the validity of proceedings for the redemption of any Bond not affected by such defect or failure.

All official notices of redemption shall be dated and shall include information which (a) identifies the Bonds to be redeemed by the name of the issue (including the name of the issuer and any series designation), CUSIP number, if any, date of issue, maturity date and any other descriptive information the Trustee deems desirable to accurately identify the Bonds to be redeemed and, if only a portion of some Bonds will be redeemed, the certificate numbers and the principal amount of those Bonds to be redeemed, (b) identifies the date on which the notice is published and the date on which the Bonds will be redeemed, (c) states the price at which the Bonds will be redeemed, (d) states that on the redemption date the redemption price will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date (unless sufficient moneys are not available to the Trustee to pay the redemption price); and (g) as to any Bonds to be redeemed pursuant to (1) or (2) above with respect to which funds sufficient to pay the redemption price are not on deposit with the Trustee, states that such notice is conditional upon moneys or Government Obligations, or a combination thereof, being on deposit with the Trustee in an amount sufficient to pay the redemption price on the redemption date, and that otherwise such redemption shall not be effective.

The failure of any Owner of Bonds to receive such notice given shall not affect the validity of any proceedings for the redemption of any Bonds. Any notice so mailed shall be conclusively presumed to have been duly given and shall become effective upon mailing, whether or not any Owner receives such notice.

So long as the Securities Depository is effecting book-entry transfers of the Bonds, the Trustee shall provide such notices to the Securities Depository. It is expected that the Securities Depository shall, in turn, notify its Participants and that the Participants, in turn, will notify or cause to be notified the beneficial owners. Any failure on the part of the Securities Depository or a Participant, or failure on the part of a nominee of a beneficial owner of a Bond (having been sent notice from the Trustee, the Securities Depository, a Participant or otherwise) to notify the beneficial owner of the Bond so affected, shall not affect the validity of the redemption of such Bond.

Selection of Bonds to be Redeemed; Bonds Redeemed in Part. Bonds may be redeemed only in the principal amount of multiples of \$5,000. If less than all Bonds are to be redeemed as described under *Optional Redemption*, *Extraordinary Optional Redemption*, or *Mandatory Redemption from Unused Proceeds* above, such Bonds shall be redeemed from the Stated Maturity or Stated Maturities selected by the Borrower. If less than all Bonds of a particular Stated Maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by the Trustee from the Bonds which have not previously been called for redemption, by such method as the Trustee shall deem fair and appropriate and which may provide for the selection for partial redemption (in multiples of \$5,000) of Bonds of a denomination larger than the minimum Authorized Denomination; provided that no partial redemption shall leave Outstanding a Bond which is not an Authorized Denomination.

Any Bond which is to be redeemed only in part shall be surrendered at the place of payment therefor (with, if the Issuer or the Trustee so requires, due endorsement by, or a written instrument of transfer in form satisfactory to the Issuer and the Trustee duly executed by, the Owner thereof or his attorney or legal representative duly authorized in writing), and the Issuer shall execute and the Trustee shall authenticate and deliver to the Owner of such Bond, without service charge, a new Bond or new Bonds of the same Stated Maturity of any Authorized Denominations as requested by such Owner in aggregate principal amount equal to and in exchange for the unredeemed portion of the principal of the Bond so surrendered. If the Owner of any such Bond shall fail to present such Bond to the Trustee for payment and exchange as aforesaid, said Bond shall, nevertheless, become due and payable on the redemption date to the extent of the principal amount called for redemption (and to that extent only).

In lieu of surrender under the preceding paragraph, payment of the redemption price of a portion of any Bond registered in the name of the Securities Depository or its nominee under a Book-Entry System may be made directly to the Owner thereof without surrender thereof, if there shall have been filed with the Trustee a written agreement of such Securities Depository that payment shall be so made and that such Owner will not sell, transfer or otherwise dispose of such Bond unless prior to delivery thereof such Owner shall present such Bond to the Trustee for notation thereon of the portion of the principal thereof redeemed or shall surrender such Bond in exchange for a new Bond or Bonds for the unredeemed balance of the principal of the surrendered Bond.

The Trustee shall promptly notify the Issuer, the Guarantor and the Borrower in writing of the Bonds selected for redemption and, in the case of any Bond selected for partial redemption, the principal amount thereof to be redeemed.

Deposit of Redemption Price; Bonds Payable on Redemption Date

On or before any redemption date, the Issuer shall deposit with the Trustee or with a Paying Agent moneys or Government Obligations, or a combination thereof, provided by the Borrower, in an amount sufficient to pay the redemption price of all the Bonds which are to be redeemed on that date. Such moneys and Government Obligations shall be held in trust for the benefit of the Persons entitled to such redemption price and shall not be deemed to be part of the Trust Estate.

With respect to notice of any redemption of the Bonds described above under *Optional Redemption* or *Extraordinary Optional Redemption* unless moneys or Government Obligations, or a combination thereof, sufficient to pay the principal of, and interest on, the Bonds to be so redeemed, shall have been received by the Trustee on or prior to the redemption date, any notice of such redemption shall be of no force and effect, the Issuer shall not redeem such Bonds and the Trustee shall give notice, in the manner in which the notice of redemption was given, that such moneys or Government Obligations were not so received.

Events of Default and Remedies

Events of Default. Events of Default under the Indenture (whatever the reason for such event and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body) include:

- (1) default in the payment of any interest on any Bond after such interest has become due and payable; or

(2) default in the payment of the principal of any Bond when the same becomes due and payable (whether at Stated Maturity, upon proceedings for redemption, by acceleration or otherwise); or

(3) acceleration of the maturity of the Promissory Note as a result of an Event of Default under the Loan Agreement; or

(4) the Issuer shall default in the performance, or breach, of any covenant or agreement in the Bonds or in the Indenture (other than as specified in clauses (1) and (2) above), and continuance of such default or breach for a period of 30 days after there has been given to the Issuer, the Borrower, and the Guarantor by the Trustee (which shall only give notice at the written request of the Guarantor or the Owners of at least 25% in aggregate principal amount of the Bonds Outstanding), a written notice specifying such default or breach and requiring it to be remedied; provided, that if such default cannot be fully remedied within such 30-day period, but can reasonably be expected to be fully remedied, such default shall not constitute an Event of Default if the Issuer shall immediately upon receipt of such notice commence the curing of such default and shall thereafter prosecute and complete the same with due diligence and dispatch; or

(5) The Guarantor admits its insolvency or becomes unable to pay its debts as they mature or a receiver is appointed for the Guarantor; or the Guarantor defaults in the payment when due of any amounts due under the Guaranty Agreement; or the Guaranty Agreement ceases to remain in full force and effect; or

(6) any Event of Default under the Loan Agreement or the Guaranty Agreement shall occur and be continuing and shall not have been waived.

With regard to any alleged default concerning which notice is given to the Borrower under the provisions above, the Issuer has in the Loan Agreement granted the Borrower full authority for the account of the Issuer to perform any covenant or obligation, the nonperformance of which is alleged in said notice to constitute a default, in the name and stead of the Issuer, with full power to do any and all things and acts to the same extent that the Issuer could do and perform any such things and acts in order to remedy such default. The Trustee hereby acknowledges and agrees to give effect to such grant.

Acceleration of Maturities; Rescission and Annulment. Upon the happening of any Event of Default, and the continuance of the same for the period, if any, specified above, the Trustee may, with the written consent of the Guarantor, but without any action on the part of the Owners of the Bonds, and shall in the event (i) the principal of the Promissory Note has been declared immediately due and payable, or (ii) upon the written request of the Guarantor or the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding so request, exclusive of Bonds then owned by the Issuer or the Borrower, immediately upon such occurrence, subject to the written consent of the Guarantor, by notice in writing to the Issuer, the Borrower, and the Guarantor and upon being indemnified to its satisfaction, declare the entire principal amount of the Bonds then Outstanding and the interest accrued thereon immediately due and payable, and the said entire principal and accrued interest shall thereupon become and be immediately due and payable, and to the extent that the principal of the Promissory Note shall not have been declared to be immediately due and payable, the Trustee shall request the Issuer to declare the principal of the Promissory Note to be immediately due and payable pursuant to the Loan Agreement, subject to the written consent of the Guarantor.

The requirement of the written consent of the Guarantor contained herein is subject to the limitation described under “**Suspension of Provisions Relating to the Guarantor**” below.

At any time after such acceleration has occurred, but before any judgment or decree for payment of money due on any Bonds has been obtained by the Trustee as provided in the Indenture, the Owners of a majority in principal amount of the Bonds Outstanding may, by written notice to the Issuer, the Borrower, the Guarantor, and the Trustee, rescind and annul such acceleration and its consequences if:

- (1) there is deposited with the Trustee moneys sufficient to pay
 - (a) all overdue installments of interest on all Bonds,

- (b) the principal of any Bonds which have become due otherwise than by such acceleration and interest thereon at the rate or rates prescribed therefor in such Bonds,
- (c) interest upon overdue installments of interest at the rate or rates prescribed therefor in the Bonds, and
- (d) all sums paid or advanced by the Trustee hereunder and the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel; and

(2) all Events of Default, other than the non-payment of the principal of Bonds which have become due solely by such acceleration, have been cured or have been waived as described under “**Delay or Omission Not a Waiver; Waiver of Past Default.**”

No such rescission and annulment shall affect any subsequent default or impair any right consequent thereon.

Exercise of Remedies by the Trustee. Upon the occurrence and continuance of any Event of Default under the Indenture, unless the same is waived as provided in the Indenture, the Trustee shall have the following rights and remedies, in addition to any other rights and remedies provided under the Indenture or by law:

(i) *Right to Bring Suit, Etc.* The Trustee may, with the consent of the Guarantor, pursue any available remedy at law or in equity by suit, action, mandamus or other proceeding to enforce the payment of the principal of, and interest on, the Bonds Outstanding, including interest on overdue principal and on overdue installments of interest, and any other sums due under the Indenture, to realize on or to foreclose any of its interests or liens under the Indenture or any other Transaction Document, to enforce and compel the performance of the duties and obligations of the Issuer as set forth in the Indenture and to enforce or preserve any other rights or interests of the Trustee under the Indenture with respect to any of the Trust Estate or otherwise existing at law or in equity.

(ii) *Exercise of Remedies at Direction of Bondowners.* Subject to the provisions described below under “**Control of Proceedings by Bondowners**” if requested in writing to do so by the Owners of not less than 25% in aggregate principal amount of the Bonds Outstanding and if indemnified as provided in the Indenture, the Trustee shall exercise such one or more of the rights and powers conferred by the Indenture as the Trustee, being advised by Counsel, shall deem most expedient in the interests of the Owners of the Bonds; provided, however, that the Trustee shall have the right to decline to comply with any such request if the Trustee shall be advised by Counsel that the action so requested may not lawfully be taken or if the Trustee in good faith shall determine that such action would be unjustly prejudicial to the Owners of Bonds that are not parties to such request.

(iii) *Appointment of Receiver.* Upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Bondowners under the Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Trust Estate, pending such proceedings, with such powers as the court making such appointment shall confer.

(iv) *Suits to Protect the Trust Estate.* The Trustee shall have the power to institute and to maintain such proceedings as it may deem expedient to prevent any impairment of the Trust Estate by any acts which may be unlawful or in violation of the Indenture and to protect its interests and the interests of the Bondowners in the Trust Estate, including the power to institute and maintain proceedings to restrain the enforcement of or compliance with any governmental enactment, rule or order that may be unconstitutional or otherwise invalid, if the enforcement of or compliance with such enactment, rule or order would impair the security under this Indenture or be prejudicial to the interests of the Bondowners or the Trustee, or to intervene (subject to the approval of a court of competent jurisdiction) on behalf of the Bondowners in any judicial proceeding to which the Issuer, the Guarantor, or the Borrower is a party and which in the judgment of the Trustee has a substantial bearing on the interests of the Bondowners.

(v) *Enforcement Without Possession of Bonds.* All rights of action under the Indenture or any of the Bonds may be enforced and prosecuted by the Trustee without the possession of any of the Bonds or the production thereof in any suit or other proceeding relating thereto, and any such suit or proceeding instituted by the Trustee shall be brought in its own name as trustee of an express trust. Any recovery of judgment shall, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and subject to the provisions described below under “**Application of Money Collected**”, be for the equal and ratable benefit of the Owners of the Bonds in respect of which such judgment has been obtained.

(vi) *Restoration of Positions.* If the Trustee or any Bondowner has instituted any proceeding to enforce any right or remedy under the Indenture by suit, foreclosure, the appointment of a receiver, or otherwise, and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or to such Bondowner, then and in every case the Issuer, the Trustee and the Bondowners shall, subject to any final determination in such proceeding, be restored to their former positions and rights under this Indenture, and thereafter all rights and remedies of the Trustee and the Bondowners shall continue as though no such proceeding had been instituted.

(vii) *Enforcement of Rights and Powers of Issuer under the Loan Agreement.* As the assignee of all right, title and interest of the Issuer in and to the Loan Agreement (except for the Issuer’s Unassigned Rights), the Trustee with the consent of the Guarantor or at the request of the Guarantor is empowered to enforce each remedy, right and power granted to the Issuer under the Loan Agreement. In exercising any remedy, right or power thereunder or hereunder, the Trustee with the consent of the Guarantor or at the request of the Guarantor shall take any action which would best serve the interests of the Bondowners in the judgment of the Trustee, applying the standards described in the Indenture.

Trustee May File Proofs of Claims. In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding relative to the Issuer or any other obligor upon the Bonds or their creditors, the Trustee (irrespective of whether the principal of the Bonds shall then be due and payable, as therein expressed or by acceleration or otherwise, and irrespective of whether the Trustee shall have made any demand on the Issuer for the payment of overdue principal or interest) shall be entitled and empowered, by intervention in such proceeding or otherwise:

- i. to file and prove a claim for the whole amount of principal and interest owing and unpaid in respect of the Outstanding Bonds and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel) and of the Bondowners allowed in such judicial proceeding, and
- ii. to collect and receive any money or other property payable or deliverable on any such claims and to distribute the same;

and any custodian, receiver, assignee, trustee, liquidator, sequestrator or other similar official in any such judicial proceeding is hereby authorized by each Bondowner to make such payments to the Trustee, and in the event that the Trustee shall consent to the making of such payments directly to the Bondowners, to pay to the Trustee any amount due to it for the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel, and any other amounts due the Trustee under the Indenture.

Nothing described above shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Bondowner any plan of reorganization, arrangement, adjustment or composition affecting the Bonds or the rights of any Owner thereof, or to authorize the Trustee to vote in respect of the claim of any Bondowner in any such proceeding.

Limitation on Suits by Bondowners. No Owner of any Bond shall have any right to institute any proceeding, judicial or otherwise, under or with respect to the Indenture, or for the appointment of a receiver or trustee or for any other remedy under the Indenture, unless:

- i. such Owner has previously given written notice to the Trustee of a continuing Event of Default;
- ii. the Owners of not less than 25% in aggregate principal amount of the Bonds Outstanding shall have made written request to the Trustee to institute proceedings in respect of such Event of Default in its own name as Trustee under the Indenture;
- iii. such Owner or Owners have offered to the Trustee indemnity as provided in the Indenture against the costs, expenses and liabilities to be incurred in compliance with such request;
- iv. the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and
- v. no direction inconsistent with such written request has been given to the Trustee during such 60-day period by the Owners of a majority in aggregate principal amount of the Outstanding Bonds;

it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by virtue of, or by availing of, any provision of the Indenture to affect, disturb or prejudice the lien of this Indenture or the rights of any other Owners of Bonds, or to obtain or to seek to obtain priority or preference over any other Owners or to enforce any right under the Indenture, except in the manner herein provided and for the equal and ratable benefit of all Outstanding Bonds.

Notwithstanding the foregoing or any other provision in the Indenture, however, the Owner of any Bond shall have the right, which is absolute and unconditional, to receive payment of the principal of, and interest on, such Bond on the respective Stated Maturities expressed in such Bond (or, in the case of redemption, on the redemption dates), and nothing contained in the Indenture shall affect or impair the right of any Owner to institute suit for the enforcement of any such payment.

Control of Proceedings by Bondowners. Anything in the Indenture to the contrary notwithstanding, so long as the Guarantor is not in default under the Guaranty Agreement, the Guarantor shall have the right, and while such a default under the Guaranty Agreement is continuing, the Owners of a majority in aggregate principal amount of Bonds then Outstanding shall have the right, at any time during the continuance of an Event of Default, by an instrument or instruments in writing executed and delivered to the Trustee:

- i. to require the Trustee to proceed to enforce the Indenture, either by judicial proceedings for the enforcement of the payment of the Bonds and the foreclosure of the Indenture, or otherwise; and
- ii. to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Indenture, provided that
 - (a) such direction shall not be in conflict with any rule of law or the Indenture,
 - (b) the Trustee may take any other action deemed proper by the Trustee which is not inconsistent with such direction, and

the Trustee shall not determine that the action so directed would be unjustly prejudicial to the Owners not taking part in such direction.

Application of Money Collected. Any money collected by the Trustee pursuant to the Indenture, together with any other sums then held by the Trustee as part of the Trust Estate, shall be applied in the following order, at the date or dates fixed by the Trustee and, in case of the distribution of such money on account of principal or interest upon presentation of the Bonds and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

First: To the payment of all amounts due the Trustee under the Indenture;

Second: To the payment of the whole amount then due and unpaid upon the Outstanding Bonds for principal and interest, in respect of which or for the benefit of which such money has been collected, with interest (to the extent that such interest has been collected by the Trustee or a sum sufficient therefor has been so collected and payment thereof is legally enforceable) at the respective rate or rates prescribed therefor in the Bonds on overdue principal and on overdue installments of interest; and in case such proceeds shall be insufficient to pay in full the whole amount so due and unpaid upon such Bonds, then to the payment of such principal and interest, without any preference or priority, ratably according to the aggregate amount so due; and

Third: The remainder, if any, to the Borrower or to whomsoever may be lawfully entitled to receive the same or as a court of competent jurisdiction may direct.

Whenever money is to be so applied by the Trustee, such money shall be applied by it at such times, and from time to time, as the Trustee shall determine, having due regard for the amount of such money available for application and the likelihood of additional money becoming available for such application in the future. Whenever the Trustee shall apply such money, it shall fix the date (which shall be an Interest Payment Date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such money and of the fixing of any such date, and shall not be required to make payment to the Owner of any unpaid Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Notwithstanding the foregoing, amounts drawn on the Guaranty Agreement shall be used only for the scheduled payment when due of the principal of, and interest on, the Bonds.

Rights and Remedies Cumulative. No right or remedy herein conferred upon or reserved to the Trustee or to the Bondowners is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Delay or Omission Not Waiver; Waiver of Past Default. No delay or omission of the Trustee or of any Owner of any Bond to exercise any right or remedy accruing upon an Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given as described above or by law to the Trustee or to the Bondowners may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Bondowners, as the case may be.

The Trustee may in its discretion, with the written consent of the Guarantor, waive any event of default hereunder and its consequences and rescind any declaration of maturity of principal of and interest on the Bonds, and shall do so, at the direction of the Guarantor or, with the written consent of the Guarantor, upon the written request of the Owners of a majority in aggregate principal amount of all Bonds then Outstanding; provided, however, that there shall not be waived: (i) any default in respect of a covenant or provision hereof which cannot be modified or amended without the consent of the Owner of each Outstanding Bond affected or (ii) any default in the payment of the principal of, or interest on, any Bond unless prior to such waiver or rescission, all arrears of interest, or all arrears of payments of principal, with interest at the rate borne by the Bonds on all arrears of payments of principal until paid, as the case may be, and all expenses of the Trustee in connection with such default, shall have been paid or provided for, and in case of any such waiver or rescission, or in case any proceeding taken by the Trustee on account of any such default shall have been discontinued or abandoned or determined adversely, then and in every such case the Issuer, the Trustee and the Bondowners shall be restored to their former positions and rights hereunder, respectively, but no such waiver or rescission shall extend to any subsequent or other default, or impair any right consequent thereon.

Upon any such waiver, such default shall cease to exist, and any Event of Default arising therefrom shall be deemed to have been cured, for every purpose of the Indenture; but no such waiver shall extend to or affect any subsequent or other default or impair any right or remedy consequent thereon.

Advances by Trustee

If the Borrower shall fail to make any payment or perform any of its covenants in the Loan Agreement, the Trustee may, at any time and from time to time, use and apply any moneys held by it under the Indenture, or make advances, to effect payment or performance of any such covenant on behalf of the, Borrower. All moneys so used or advanced by the Trustee, together with interest at the Trustee's announced prime rate per annum, shall be repaid by the Borrower upon demand and such advances shall be secured under the Indenture prior to the Bonds. For the repayment of all such advances the Trustee shall have the right to use and apply any moneys at any time held by it under this Indenture but no such use of moneys or advance shall relieve the Borrower from any default under the Loan Agreement.

Notice to Bondowners of Default

The Trustee shall promptly give written notice by registered or certified mail to the Bondowners, the Underwriter and the Guarantor of the occurrence of an Event of Default.

Payment Procedures Pursuant to the Guaranty Agreement

As long as the Guaranty Agreement shall be in full force and effect, the Issuer, the Borrower and the Trustee agree to comply with the provisions described below, notwithstanding any provisions of the Indenture to the contrary:

If, on the second Business Day prior to the related scheduled interest payment date or principal payment date or the date to which a Bond maturity has been accelerated ("**Payment Date**"), there is not on deposit with the Trustee, after making all transfers and deposits required under the Indenture, moneys sufficient to pay the principal of, and interest on, the Bonds due on such Payment Date, the Trustee shall make a demand under the Guaranty Agreement and give notice to the Guarantor by 5:00 p.m. New York City time, on the second Business Day prior to the applicable Payment Date by filling in the Form of Notice of Nonpayment attached to the Guaranty Agreement. In the event the Guarantor advises the Trustee that any Notice of Nonpayment is incomplete, the Trustee shall promptly submit an amended Notice of Nonpayment, all in accordance with the Guaranty Agreement.

The Trustee shall designate any portion of payment of principal on Bonds paid by the Guarantor, whether by virtue of maturity or other advancement of maturity, on its books as a reduction in the principal amount of Bonds registered to the then current Bondowner, whether DTC or its nominee or otherwise, and shall issue a replacement Bond to the Guarantor, registered in the name of National Rural Utilities Cooperative Finance Corporation, in a principal amount equal to the amount of principal so paid (without regard to authorized denominations); provided that the Trustee's failure so to designate any payment or to issue any replacement Bond shall have no effect on the amount of principal or interest payable by the Issuer on any Bond or the subrogation rights of the Guarantor.

The Trustee shall keep a complete and accurate record of all funds deposited by the Guarantor into the Guaranty Payments Account (hereinafter defined) and the allocation of such funds to payment of interest on and principal paid in respect of any Bond. The Guarantor shall have the right to inspect such records at reasonable times upon reasonable notice to the Trustee.

Upon payment of a demand under the Guaranty Agreement, the Trustee shall establish a separate special purpose trust account for the benefit of Bondowners referred to herein as the "**Guaranty Payments Account**" and over which the Trustee shall have exclusive control and sole right of withdrawal. The Trustee shall receive any amount paid under the Guaranty Agreement in trust on behalf of Bondowners and shall deposit any such amount in the Guaranty Payments Account and distribute such amount only for purposes of making the payments for which a demand was made. Such amounts shall be disbursed by the Trustee to Bondowners in the same manner as principal and interest payments are to be made with respect to the Bonds under the sections of the Indenture regarding payment of Bonds. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments.

Funds held in the Guaranty Payments Account shall not be invested by the Trustee and may not be applied to satisfy any costs, expenses or liabilities of the Trustee or any other Person.

Any funds remaining in the Guaranty Payments Account following a Payment Date shall promptly be remitted to the Guarantor within seven days of such Payment Date.

Payments required to be made to the Guarantor shall be payable solely from the Trust Estate and shall be paid (i) prior to an event of default, to the extent not paid from the Bond Fund, and (ii) after an event of default, with respect to amounts other than principal of, and interest on, the Bonds, on the same priority as payments to the Trustee for expenses. The obligations to the Guarantor shall survive discharge or termination of the Indenture or the Loan Agreement.

The Guarantor shall be entitled to pay principal of, or interest on, the Bonds that shall become due for payment but shall be unpaid by reason of nonpayment by the Issuer and any amounts due on the Bonds as a result of acceleration of the maturity thereof in accordance with this Indenture, whether or not the Guarantor has received a notice of nonpayment or a demand upon the Guaranty Agreement.

Amounts paid by the Guarantor under the Guaranty Agreement shall not be deemed paid for purposes of the Indenture and the Bonds relating to such payments shall remain Outstanding and continue to be due and owing until paid by the Issuer in accordance with the terms of the Indenture.

In addition to those rights granted under the Indenture, the Guarantor shall, to the extent it makes payment of principal of or interest on Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Guaranty Agreement.

Subject to and conditioned upon payment of any principal of, or interest on, the Bonds by or on behalf of the Guarantor, each Bondowner, by its purchase of the Bonds, assigns to the Guarantor, but only to the extent of all payments made by the Guarantor, all rights to the payment of principal of, or interest on, the Bonds which are then due for payment to the extent of all payments made by the Guarantor, including without limitation any amounts due to Bondowners in respect of securities laws violations arising from the offer and sale of the Bonds which are then due for payment. The Guarantor may exercise any option, vote, right, power or the like with respect to any Bonds with respect to which it has made a principal payment pursuant to the Guaranty Agreement. The foregoing assignment is in addition to, and not in limitation of, rights of subrogation otherwise available to the Guarantor in respect of such payments. The Trustee shall take such action and deliver such instruments as may be reasonably requested or required by the Guarantor to effectuate the purpose or provision of this paragraph. The Trustee agrees that the Guarantor shall be subrogated to all the rights to payment of the Bondowners of the Bonds or in relation thereto to the extent that any payment of principal of, or interest on, the Bonds was made to such Bondowners with payments made under the Guaranty Agreement by the Guarantor.

The Trustee shall promptly notify the Guarantor of either of the following as to which it has actual knowledge: (i) the commencement of any proceeding by or against the Issuer or the Borrower commenced under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an “**Insolvency Proceeding**”) and (ii) the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer (a “**Preference Claim**”) of any payment of principal of, or interest on, the Bonds. Each Bondowner, by its purchase of Bonds, and the Trustee hereby agrees that the Guarantor may at any time during the continuation of an Insolvency Proceeding direct all matters relating to such Insolvency Proceeding, including without limitation, (a) all matters relating to any Preference Claim, (b) the direction of any appeal of any order relating to any Preference Claim and (c) the posting of any surety, supersedeas or performance bond pending any such appeal. In addition, and without limitation of the foregoing, the Guarantor shall be subrogated to the rights of the Trustee and each Bondowner in any Insolvency Proceeding including, without limitation, any rights of any party to an adversary proceeding action with respect to any court order issued in connection with any such Insolvency Proceeding.

The Guarantor shall have the right to advance any payment required to be made by the Issuer or the Borrower in order to prevent any Event of Default under the Indenture, and the Trustee shall be required to accept such advance.

Additional Rights of the Guarantor

(1) *Consent of the Guarantor to Amendment.* No provision of the Indenture which may adversely affect the payment obligations, rights and interests of the Guarantor under the Indenture may be amended without the prior written consent of the Guarantor.

(2) *Consent of Guarantor in Addition to Bondowner Consent.* Unless otherwise provided in this Section, the Guarantor's consent shall be required in addition to Bondowner consent, when required, for the following purposes: (i) execution and delivery of any supplemental indenture or any amendment, supplement or change to or modification of the Loan Agreement; (ii) removal of the Trustee or Paying Agent and selection and appointment of any successor trustee or paying agent; and (iii) initiation or approval of any action not described in (i) or (ii) above which requires Bondowner consent.

(3) *Guarantor's Right to Pay Accelerated Bonds.* In the event the maturity of the Bonds is accelerated, the Guarantor may elect, in its sole discretion, to pay accelerated principal and interest accrued on such principal to the date of acceleration (to the extent unpaid by the Issuer), and the Trustee shall be required to accept such amounts. Upon payment of such accelerated principal and interest accrued to the acceleration date as provided above, the Guarantor's obligations under the Guaranty Agreement shall be fully discharged.

(4) *Nature of Guarantor's Rights.* The rights granted to the Guarantor under the Indenture or the Loan Agreement to request, consent to or direct any action are rights granted to the Guarantor in consideration of its delivery of the Guaranty Agreement. Any exercise by the Guarantor of such rights is merely an exercise of the Guarantor's contractual rights and shall not be construed or deemed to be taken for the benefit or on behalf of the Bondowners, nor does such action evidence any position of the Guarantor, positive or negative, as to whether Bondowner consent is required in addition to consent of the Guarantor.

(5) *Information to be given to the Guarantor.* For so long as the Guaranty Agreement is in effect, the Trustee shall furnish the following information to the Guarantor:

- (a) Notice of any default known to the Trustee within five Business Days after knowledge thereof;
- (b) Prior notice of the advance refunding or redemption of any of the Bonds, including the principal amount, maturities and CUSIP numbers thereof;
- (c) Notice of the resignation or removal of the Trustee or Paying Agent and the appointment of, and acceptance of duties by, any successor thereto;
- (d) the commencement of any proceeding by or against the Issuer or the Borrower commenced under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "**Insolvency Proceeding**");
- (e) the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment of principal of, or interest on, the Bonds;
- (f) a full transcript of all proceedings relating to the execution of any amendment or supplement to the Indenture or the Loan Agreement; and
- (g) all reports, notices and correspondence to be delivered under the terms of the Indenture or the Loan Agreement.

Suspension of Provisions Relating to the Guarantor

All provisions in the Indenture regarding consents, voting, approvals, directions, appointments or request by the Guarantor shall be deemed not to require or permit such consents, approvals, directions, appointments or requests by the Guarantor and shall be read as if the Guarantor were not mentioned therein during any time in which (a) the Guarantor is in default of its obligation to pay the Bonds after proper demand therefore has been made under

the Guaranty Agreement or (b) a final nonappealable order of a court having competent jurisdiction in the premises shall be entered declaring any provision of the Guaranty Agreement (other than provisions of the Guaranty Agreement relating to service of process or relating to matters that solely benefit the Guarantor or that have no material adverse affect on the interests of the Issuer, the Borrower or the Owners of the Bonds) at any time, for any reason, invalid and not binding on the Guarantor, or declaring any provision of the Guaranty Agreement (other than provisions of the Guaranty Agreement relating to service of process or relating to matters that solely benefit the Guarantor or that have no material adverse affect on the interests of the Issuer, the Borrower or the Owners of the Bonds) null and void.

Consent of the Guarantor Upon Default or Corporate Reorganization

Anything in the Indenture to the contrary notwithstanding, upon the occurrence and continuance of an event of default as defined herein, the Guarantor shall be entitled to control and direct the enforcement of all rights and remedies granted to the Owners of the Bonds or the Trustee for the benefit of the Owners of the Bonds under the Indenture, including, without limitation, acceleration of the principal of the Bonds as described in the Indenture and the right to annul any declaration of acceleration, and the Guarantor shall also be entitled to approve all waivers of Events of Default.

In the event of any reorganization or liquidation of the Borrower, the Guarantor shall have the right to vote on behalf of all Bondowners who own Bonds then Outstanding absent the occurrence of an event described above under “**Suspension of Provisions Relating to the Guarantor**”, and any reorganization or liquidation plan with respect to the Borrower which requires the consent or vote of a Bondowner must be acceptable to the Guarantor.

Termination, Substitution, Cancellation or Replacement of the Guaranty Agreement

The Guaranty Agreement may not be terminated, substituted for, cancelled, or replaced without the prior written consent of the Owners of all the Bonds then Outstanding.

Supplemental Indentures

Supplemental Indentures without Consent of Bondowners

Without the consent of, or notice to, the Owners of any Bonds, the Issuer and the Trustee may from time to time, with the consent of the Guarantor, and when required by the Indenture shall, enter into one or more Supplemental Indentures for any of the following purposes:

- i. to correct or amplify the description of any property at any time subject to the lien of the Indenture, or better to assure, convey and confirm unto the Trustee any property subject or required to be subjected to the lien of the Indenture, or to subject to the lien of the Indenture additional property;
- ii. to evidence the appointment of a separate trustee or the succession of a new Trustee under the Indenture;
- iii. to add to the covenants of the Issuer or to the rights, powers and remedies of the Trustee for the benefit of the Owners of the Bonds or to surrender any right or power herein conferred upon the Issuer;
- iv. to cure any ambiguity, to correct or supplement any provision in the Indenture which may be inconsistent with any other provision herein or to make any other change, with respect to matters or questions arising under the Indenture, which shall not be inconsistent with the provisions of the Indenture, provided such action shall not materially adversely affect the interests of the Owners of the Bonds; or
- v. to modify, eliminate or add to the provisions of the Indenture to such extent as shall be necessary to effect the qualification of the Indenture under the Trust Indenture Act of 1939, as amended, or

under any similar federal statute hereafter enacted, or to permit the qualification of the Bonds for sale under the securities laws of the United States or any state of the United States.

Supplemental Indentures with Consent of Bondowners. With the consent of the Guarantor or, if the Guarantor is in default under the Guaranty Agreement, with the consent of the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding affected by such Supplemental Indenture, the Issuer and the Trustee may enter into one or more supplemental indentures for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of modifying in any manner the rights of the Owners of the Bonds under the Indenture; provided, however, that the consent of the Guarantor (so long as the Guarantor is not in default under the Guaranty Agreement) and the consent of the Owner of each affected Outstanding Bond shall be required for any such supplemental indenture which:

- i. changes the Stated Maturity of the principal of, or any installment of interest on, any Bond, or reduces the principal amount thereof or the interest thereon, or changes the circumstances under which any Bond may or must be redeemed, or changes the coin or currency in which any Bond or the interest thereon is payable, or impairs the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the redemption date); or
- ii. reduces the percentage in principal amount of the Outstanding Bonds, the consent of the Owners of which is required for any such supplemental indenture, or the consent of the Owners of which is required for any waiver provided for in the Indenture of compliance with certain provisions of this Indenture or certain defaults under the Indenture and their consequences; or
- iii. modifies the obligation of the Issuer to make payment on or provide funds for the payment of any Bond; or
- iv. modifies or alters the provisions of the proviso to the definition of the term “Outstanding”; or
- v. modifies any of the provisions described in this paragraph or of the provisions described under “**Waiver of Past Defaults**” or under “**Amendment, etc. to Loan Agreement, Promissory Note, or Guaranty Agreement Requiring Consent of Bondowners**” except, with respect to any modification of the provisions described in this paragraph or under “**Waiver of Past Defaults**”, to increase any percentage provided thereby or to provide that certain other provisions of the Indenture cannot be modified or waived without the consent of the Owner of each Bond affected thereby; or
- vi. permits the creation of any lien ranking prior to or on a parity with the lien of the Indenture with respect to any of the Trust Estate or terminates the lien of the Indenture on any property at any time subject hereto or deprives the Owner of any Bond of the security afforded by the lien of the Indenture.

The Trustee may in its discretion determine whether or not any Bonds would be affected by any supplemental indenture and any such determination shall be conclusive upon the Owners of all Bonds, whether theretofore or thereafter authenticated and delivered under the Indenture. The Trustee shall not be liable for any such determination made in good faith.

If at any time the Issuer shall request the Trustee to enter into any such supplemental indenture for any of the purposes of this Section, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of the proposed execution of such supplemental indenture to be mailed to the Guarantor and each Owner of Bonds then Outstanding at the addresses appearing in the bond register. Such notice shall briefly set forth the nature of the proposed supplemental indenture and shall state that copies thereof are on file at the designated corporate trust office of the Trustee for inspection by all Bondowners. The Trustee shall not, however, be subject to any liability to any Bondowner by reason of its failure to mail such notice, and any such failure shall not affect the validity of such supplemental indenture when consented to and approved as provided above. If the Guarantor or the required percentage of Owners shall have consented to and approved the execution thereof as herein provided, no Owner of

any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Issuer from executing the same or from taking any action pursuant to the provision thereof. It shall not be necessary for the Guarantor or the required percentage of Owners of Bonds pursuant to the above provisions to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such act shall approve the substance thereof. Upon the execution of any such supplemental indenture permitted and provided as described above, the Indenture shall be and be deemed to be modified and amended in accordance therewith.

Any provision of the Indenture expressly recognizing or granting right in or to the Guarantor may not be amended in any manner which affects the rights of the Guarantor hereunder without the prior written consent of the Guarantor.

Effect of Supplemental Bond Indenture. Upon the execution of any such supplemental indenture, the Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of the Indenture for all purposes; and every Owner of Bonds theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

Borrower's Consent to Supplemental Indenture.

So long as the Borrower is not in default under the Loan Agreement, a supplemental indenture which affects any rights, powers, agreements or obligations of the Borrower, including, without limitation, rights, powers, agreements or obligations of the Borrower under the Loan Agreement and the Promissory Note, or requires any revision of the Loan Agreement and the Promissory Note, will not become effective unless and until the Borrower consents in writing to the execution and delivery of such supplemental indenture.

Amendment of Loan Agreement, Promissory Note, or Guaranty Agreement

Amendment, etc. to Loan Agreement, Promissory Note, or Guaranty Agreement Not Requiring Consent of Bondowners.

The Trustee shall, without the consent of, or notice to, the Bondowners, so long as the consent of the Guarantor has been obtained, consent to any amendment, change or modification of the Loan Agreement, the Promissory Note or the Guaranty Agreement as may be required:

- i. by the provisions of the Loan Agreement, the Promissory Note, the Guaranty Agreement or hereby;
- ii. for the purpose of curing any ambiguity or formal defect or omission in the Loan Agreement, the Promissory Note or the Guaranty Agreement; or
- iii. to effect any other amendment to the Loan Agreement, the Promissory Note or the Guaranty Agreement which, in the judgment of the Trustee, will not adversely affect the interests of the Bondowners.

Amendment, etc. to Loan Agreement, Promissory Note, or Guaranty Agreement Requiring Consent of Bondowners.

Except for the amendments, changes or modifications as provided in the preceding paragraph, the Trustee shall not agree or consent to any other amendment, change or modification of the Loan Agreement, the Promissory Note, or the Guaranty Agreement without the giving of notice and the written approval or consent of Guarantor or the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding with the consent of the Guarantor, given and procured in accordance with the procedure hereinafter described. If at any time the Issuer, the Guarantor and/or the Borrower, as applicable shall request the agreement or consent of the Trustee to any such proposed amendment, change or modification of the Loan Agreement, the Promissory Note, or the Guaranty Agreement, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of such proposed amendment, change or modification of the Loan Agreement, the Promissory Note, or the Guaranty

Agreement to be given in the same manner as provided above with respect to proposed supplemental indentures. Such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file at the designated corporate trust office of the Trustee for inspection by the Guarantor and all Owners of the Bonds. The Trustee shall not, however, be subject to any liability to any Owner of a Bond by reason of its failure to give such notice, and any such failure shall not affect the validity of such amendment, change or modification when consented to and approved. If the Guarantor and/or the Owners of not less than a majority in aggregate principal amount of the Bonds Outstanding at the time of the execution of any such amendment, change or modification shall have consented thereto, then no Owner of any Bond shall have any right to object to any of the terms and provisions contained therein, or the operation thereof, or in any manner to question the propriety of the execution thereof, or to enjoin or restrain the Trustee or the Issuer from executing the same or from taking any action pursuant to the provisions thereof.

Meetings of Bondowners

Purposes for Which Bondowners' Meetings May Be Called. A meeting of Bondowners may be called at any time and from time to time for any of the following purposes:

- i. to give any notice to the Issuer, the Borrower or the Trustee, or to give any directions to the Trustee, or to consent to the waiving of any Default or Event of Default hereunder and its consequences, or to take any other action authorized to be taken by Bondowners as described in this Appendix under "**Limitation on Suits by Bondowners**" or "**Control of Proceedings by Bondowners**";
- ii. to remove the Trustee or to appoint a successor trustee;
- iii. to consent to the execution of a supplemental indenture pursuant to Section 902, or to consent to the execution of an amendment, change or modification of the Loan Agreement, Promissory Note or Guaranty Agreement; or
- iv. to take any other action authorized to be taken by or on behalf of the Owners of any specified principal amount of the Bonds under any other provision hereof or under applicable law.

Place of Meetings of Bondowners. Meetings of Bondowners may be held at such place or places as the Trustee or, in the case of its failure to act, the Bondowners calling the meeting shall from time to time determine

Call and Notice of Bondowners' Meetings.

(1) The Trustee may at any time call a meeting of Bondowners to be held at such time and at such place as the Trustee shall determine. Notice of every meeting of Bondowners, setting forth the time and the place of such meeting and in general terms the action proposed to be taken at such meeting, shall be given by first class mail postage prepaid, to the Bondowners at the addresses shown on the registration books.

(2) In case at any time the Owners of at least 20% in aggregate principal amount of the Bonds Outstanding shall have requested the Trustee to call a meeting of the Bondowners by written request setting forth in reasonable detail the action proposed to be taken at the meeting, and the Trustee shall not have given the notice of such meeting within 20 days after receipt of such request, then such Bondowners may determine the time and the place for such meeting and may call such meeting to take any action authorized by giving notice thereof as provided in the preceding paragraph.

Persons Entitled to Vote at Bondowners' Meetings. To be entitled to vote at any meeting of Bondowners, a Person shall be an Owner of one or more Outstanding Bonds, or a Person appointed by an instrument in writing as proxy for a Bondowner by such a Bondowner. The only Persons who shall be entitled to be present or to speak at any meeting of Bondowners shall be the Persons entitled to vote at such meeting and their Counsel, any representatives of the Trustee and its Counsel, any representatives of the Borrower and its Counsel and any representatives of the Issuer and its Counsel.

Determination of Voting Rights; Conduct and Adjournment of Meetings.

(1) Notwithstanding any other provisions hereof, the Trustee may make such reasonable regulations as it may deem advisable for any meeting of Bondowners in regard to proof of ownership of Bonds and of the appointment of proxies and in regard to the appointment and duties of inspectors of votes, the submission and examination of proxies, certificates and other evidence of the right to vote, and such other matters concerning the conduct of the meeting as it shall deem appropriate. Except as otherwise permitted or required by any such regulations, the ownership of Bonds shall be proved in the manner specified in Section 1202 and the appointment of any proxy shall be proved by having the signature of the person executing the proxy witnessed or guaranteed by any bank, banker or trust company that is a member or participant in the Securities Transfer Association Medallion Program (“STAMP”) or such other “signature guarantee program” as may be determined by the Trustee in addition to, or in substitution for, STAMP. Such regulations may provide that written instruments appointing proxies, regular on their face, may be presumed valid and genuine without other proof.

(2) The Trustee shall, by an instrument in writing, appoint a temporary chairman of the meeting, unless the meeting shall have been called by Bondowners as provided in subsection (b) of Section 1103, in which case the Bondowners calling the meeting shall in like manner appoint a temporary chairman. A permanent chairman and a permanent secretary of the meeting shall be elected by vote of the Owners of a majority in aggregate principal amount of the Outstanding Bonds represented at the meeting and entitled to vote.

(3) At any meeting each Bondowner or proxy shall be entitled to one vote for each \$5,000 principal amount of Outstanding Bonds held or represented by such Bondowner; provided, however, that no vote shall be cast or counted at any meeting in respect of any Bond challenged as not Outstanding and ruled by the chairman of the meeting not to be Outstanding. The chairman of the meeting shall have no right to vote, except as a Bondowner or proxy.

(4) At any meeting of Bondowners, the presence of Persons owning or representing Bonds in an aggregate principal amount sufficient under the appropriate provision hereof to take action upon the business for the transaction of which such meeting was called shall constitute a quorum. Any meeting of Bondowners called pursuant to Section 1103 may be adjourned from time to time by vote of the Owners (or proxies for the Owners) of a majority in aggregate principal amount of the Outstanding Bonds represented at the meeting and entitled to vote, whether or not a quorum shall be present; and the meeting may be held as so adjourned without further notice.

Counting Votes and Recording Action of Meetings. The vote upon any resolution submitted to any meeting of Bondowners shall be by written ballots on which shall be subscribed the signatures of the Bondowners or of their representatives by proxy and the number or numbers of the Outstanding Bonds held or represented by them. The permanent chairman of the meeting shall appoint two inspectors of votes who shall count all votes cast at the meeting for or against any resolution and who shall make and file with the secretary of the meeting their verified written reports in duplicate of all votes cast at the meeting. A record, at least in triplicate, of the proceedings of each meeting of Bondowners shall be prepared by the secretary of the meeting, and there shall be attached to said record the original reports of the inspectors of votes on any vote by ballot taken thereat and affidavits by one or more persons having knowledge of the facts setting forth a copy of the notice of the meeting and showing that said notice was mailed as provided above. Each copy shall be signed and verified by the affidavits of the permanent chairman and secretary of the meeting, and copies shall be delivered to the Issuer and the Trustee. The Trustee’s copy shall have attached thereto the ballots voted at the meeting and shall be preserved by the Trustee. Any record so signed and verified shall be conclusive evidence of the matters therein stated.

Revocation by Bondowners. At any time prior to (but not after) the evidencing to the Trustee, in the manner described in the preceding paragraph, of the taking of any action by the Owners of the percentage in aggregate principal amount of the Bonds specified herein in connection with such action, any Owner of a Bond which is included in the Bonds the Owners of which have consented to such action may, by filing written notice with the Trustee at its designated corporate trust office and upon proof of ownership as provided above, revoke such consent so far as concerns such Bond. Except as aforesaid any such consent given by the Owner of any Bond shall be conclusive and binding upon such Owner and upon all future Owners of such Bond and of any Bond issued in exchange therefor or in lieu thereof, irrespective of whether or not any notation in regard thereto is made upon such Bonds. Any action taken by the Owners of the percentage in principal amount of the Bonds specified herein in

connection with such action shall be conclusively binding upon the Issuer, the Borrower, the Trustee and the Owners of all the Bonds; provided that such action is authorized by the Indenture.

Payment, Discharge and Defeasance of the Bonds.

Bonds will be deemed to be paid and discharged and no longer Outstanding under the Indenture and will cease to be entitled to any lien, benefit or security of the Indenture if the Issuer shall pay or provide for the payment of such Bonds in any one or more of the following ways:

- i. by paying or causing to be paid the principal of, and interest on, such Bonds, as and when the same become due and payable;
- ii. by delivering such Bonds to the Trustee for cancellation; or
- iii. by depositing in trust with the Trustee or other Paying Agent moneys and Defeasance Obligations in an amount, together with the income or increment to accrue thereon, without consideration of any reinvestment thereof, sufficient to pay or redeem (when redeemable) and discharge the indebtedness on such Bonds at or before their respective maturity or redemption dates (including the payment of the principal of, and interest payable on, such Bonds to the Stated Maturity or redemption date thereof); provided that, if any such Bonds are to be redeemed prior to the Stated Maturity thereof, notice of such redemption is given in accordance with the requirements of the Indenture or provision satisfactory to the Trustee is made for the giving of such notice.

In any case, if the Bonds are rated by a Rating Service, the Bonds shall not be deemed to have been paid or discharged by reason of any deposit pursuant to paragraph (c) above unless such Rating Service shall have confirmed in writing to the Trustee that its rating will not be withdrawn or lowered as the result of any such deposit.

The foregoing notwithstanding, the liability of the Issuer in respect of such Bonds shall continue, but the Owners thereof shall thereafter be entitled to payment only out of the money and Defeasance Obligations deposited with the Trustee as aforesaid.

Moneys and Defeasance Obligations so deposited with the Trustee shall not be a part of the Trust Estate but shall constitute a separate trust fund for the benefit of the Persons entitled thereto. Such moneys and Defeasance Obligations shall be applied by the Trustee to the payment (either directly or through any Paying Agent, as the Trustee may determine) to the Persons entitled thereto, of the principal and interest for the payment of which such money and Defeasance Obligations have been deposited with the Trustee.

Satisfaction and Discharge of the Indenture

The Indenture and the lien, rights and interests created by the Indenture shall cease, terminate and become null and void (except as to any surviving rights provided for in the Indenture) if the following conditions are met:

- i. the principal of and interest on all Bonds has been paid or the Bonds have otherwise been deemed to be paid and discharged by meeting the conditions described above under “**Payment, Discharge and Defeasance of Bonds**”;
- ii. all other sums payable under the Indenture with respect to the Bonds are paid or provision satisfactory to the Trustee is made for such payment;
- iii. the Trustee receives an Opinion of Bond Counsel (which may be based upon a ruling or rulings of the Internal Revenue Service) addressed and delivered to the Trustee and the Issuer to the effect that so providing for the payment of any Bonds will not cause the interest on the Bonds to be included in gross income for federal income tax purposes, notwithstanding the satisfaction and discharge of the Indenture; and

- iv. the Trustee receives an Opinion of Counsel to the effect that all conditions precedent in this Section to the satisfaction and discharge of the Indenture have been complied with.

Thereupon, the Trustee shall execute (where appropriate) and deliver to the Issuer a termination statement and such instruments of satisfaction and discharge of the Indenture as may be necessary and shall pay, assign, transfer and deliver to the Borrower, or other Persons entitled thereto, all money, securities and other property then held by it under the Indenture as a part of the Trust Estate, which shall not include money or Defeasance Obligations held in trust by the Trustee as herein provided for the payment of the principal of, and interest on, the Bonds.

Liability of Issuer Limited.

It is understood and agreed by the Trustee and the Owners from time to time of the Bonds that no Bonds or any other document executed by the Issuer in connection with the issuance, sale, and delivery of the Bonds, or any obligation herein or therein imposed upon the Issuer or breach thereof, shall give rise to a pecuniary liability of the Issuer or a charge against its general credit or taxing powers (if any) or shall obligate the Issuer financially in any way except with respect to the Loan Agreement and the application of revenues therefrom and the proceeds of the Bonds. No failure of the Issuer to comply with any term, condition, covenant, or agreement herein shall subject the Issuer to liability for any claim for damages, costs or other financial or pecuniary charges except to the extent that the same can be paid or recovered from the Loan Agreement or revenues therefrom or proceeds of the Bonds. No execution on any claim, demand, cause of action, or judgment shall be levied upon or collected from the general credit, general funds, or taxing powers of the Issuer. In making the agreements, provisions and covenants set forth herein, the Issuer has not obligated itself except with respect to the Loan Agreement and the application of revenues thereunder as hereinabove provided. The Bonds constitute limited obligations of the Issuer, payable solely from the revenues pledged to the payment thereof pursuant to this Indenture, and do not now and never shall constitute an indebtedness or a loan of the credit of the Issuer, any Member of the Issuer, the State or any political subdivision thereof or a charge against the general taxing powers of any of them within the meaning of any constitutional or statutory provision whatsoever.

APPENDIX D

FORM OF BOND COUNSEL OPINION

Public Finance Authority
c/o the Wisconsin Counties Association
22 East Mifflin Street, Suite 900
Madison, Wisconsin 53703

Re: \$9,000,000
Public Finance Authority
Fixed Rate Revenue Bonds, Series 2010A
(Central Wisconsin Electric Cooperative)

We have acted as bond counsel in connection with the issuance by the Public Finance Authority (the “**Issuer**”) of \$9,000,000 Public Finance Authority Fixed Rate Revenue Bonds, Series 2010A (Central Wisconsin Electric Cooperative) (the “**Bonds**”). We have investigated the law and examined such certified proceedings and other papers as we deemed necessary to render this opinion.

The Bonds have been issued pursuant to an Indenture of Trust, dated as of December 1, 2010 (the “**Indenture**”), between the Issuer and U.S. Bank National Association, as trustee (the “**Trustee**”), and the Issuer has loaned the Bond proceeds to Central Wisconsin Electric Cooperative, a Wisconsin cooperative association (the “**Borrower**”), pursuant to a Loan Agreement, dated as of December 1, 2010 (the “**Loan Agreement**”), between the Issuer and the Borrower. Under the Loan Agreement, the Borrower has agreed to make payments sufficient to pay when due the principal of and interest on the Bonds, and such payments (the “**Loan Repayments**”) and the rights of the Issuer under the Loan Agreement (except for the right to enforce certain limited provisions of the Loan Agreement) have been pledged and assigned by the Issuer to the Trustee as security for the Bonds. As security for its obligations under the Loan Agreement, the Borrower has issued its Promissory Note in the amount of \$9,000,000 (the “**Promissory Note**”). The Bonds were issued to provide financing for various improvements to the Borrower’s existing electric distribution system located in the Wisconsin counties of Marathon, Shawano, Portage, and Waupaca (collectively, the “**Project**”).

The Bonds are payable solely from (1) Loan Repayments received by the Trustee, (2) amounts received pursuant to the Guaranty Agreement, dated the date hereof (the “**Guaranty**”) by and between National Rural Utilities Cooperative Finance Corporation (the “**Guarantor**”) and the Trustee, and (3) all cash and securities held by the Trustee from time to time in specified trust funds under the Indenture (collectively, the “**Pledged Revenues**”).

The law firm of Wheeler, Van Sickle & Anderson, S.C., counsel for the Borrower, has rendered an opinion of even date with respect to, among other matters, the obligations of the Borrower under the Loan Agreement, the Promissory Note, and the Tax Compliance Agreement, dated the date hereof, among the Issuer, the Borrower, and the Trustee

(the “**Tax Agreement**”). In rendering this opinion, we are relying on said opinion with respect to the existence of the Borrower, the Borrower’s power to enter into and perform the Loan Agreement and the Promissory Note, and the authorization, execution, and delivery by the Borrower of such documents.

The law firm of Hogan, Lovells US LLP, counsel for the Guarantor, has rendered an opinion of even date with respect to, among other matters, the obligations of the Guarantor under the Guaranty. In rendering this opinion, we are relying on said opinion with respect to the Guarantor’s corporate existence, corporate power to enter into and perform the Guaranty, the authorization, execution, and delivery by the Guarantor of such document, and the validity, binding effect, and enforceability of such document as against the Guarantor.

As to questions of fact material to our opinion, we relied upon representations of the Issuer and the Borrower contained in the Indenture, the Loan Agreement, the Bond Purchase Agreement, the Tax Agreement, certificates of appropriate personnel of the Borrower, and certificates of public officials (including certifications as to the use of Bond proceeds and the property financed thereby), without undertaking to verify the same by independent investigation.

We were not engaged and did not undertake to review the accuracy, completeness, or sufficiency of the Official Statement describing the Bonds (the “**Offering Document**”) or other offering material relating to the Bonds, and we express no opinion herein relating thereto (excepting only the matters set forth as our opinion in the Offering Document). We have not passed upon any matters relating to the business, properties, affairs, or condition (financial or otherwise) of the Borrower or the Guarantor, and no inference should be drawn that we have expressed any opinion on matters relating to the ability of the Borrower or the Guarantor to perform their respective obligations under the contracts described herein. We express no opinion as to any matters pertaining to compliance with the Blue Sky laws of any jurisdiction in connection with the offering and sale of the Bonds.

Based upon the foregoing, we are of the opinion that, as of the date hereof:

(1) The Issuer validly exists under the laws of the State of Wisconsin and has the power to issue the Bonds and to enter into and perform its obligations under the Indenture and the Loan Agreement.

(2) The Indenture and the Loan Agreement have been duly authorized, executed, and delivered by the respective parties thereto and are valid, binding, and enforceable obligations of such parties. The Indenture creates a valid lien on the Pledged Revenues and on the rights of the Issuer under the Promissory Note, the Loan Agreement, and the Guaranty (except for the right to enforce certain limited provisions of the Loan Agreement).

(3) The Bonds have been duly authorized, executed, and delivered by the Issuer and are valid and binding limited obligations of the Issuer, payable solely from the Pledged Revenues. The Bonds and the interest payable thereon do not constitute an indebtedness of the Issuer within the meaning of any State of Wisconsin constitutional provision or statutory limitation and do not constitute a charge against its general credit. Neither the faith and credit

nor the taxing powers of the State of Wisconsin or any political subdivision thereof are pledged to the payment of the principal of or interest on the Bonds.

(4) Assuming continuous compliance with the terms of the Indenture, the Loan Agreement, and the Tax Agreement, the interest on the Bonds is excluded from gross income for federal income tax purposes, except for interest on any Bond during any period while it is held by a “substantial user” of any facility financed by the Bonds or a “related person”, as such terms are used in Section 147(a) of the Internal Revenue Code of 1986, as amended. The interest on the Bonds also is not subject to the alternative minimum tax imposed on all taxpayers, and the interest on the Bonds is not taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. Although the Borrower has agreed, to the extent within its control, to take such actions as may be necessary to maintain the aforementioned exclusion from gross income of interest on the Bonds, it is nevertheless possible that future action or inaction by the Borrower or others, including failure to comply with the terms of the Tax Agreement, could cause interest on the Bonds to become includable in gross income for federal income tax purposes, in some cases retroactively to the date of issuance of the Bonds. In such event, the Indenture provides for mandatory redemption of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds, the Indenture, and the Loan Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance, and other similar laws affecting creditors’ rights heretofore or hereafter enacted to the extent constitutionally applicable and to the exercise of judicial discretion in appropriate cases.

Very truly yours,