

**BEFORE THE
ARKANSAS PUBLIC SERVICE COMMISSION**

| | |
|---|----------------------------|
| IN THE MATTER OF THE APPLICATION) | |
| OF SOUTHWEST POWER POOL, INC. FOR) | |
| AUTHORITY TO ISSUE UP TO \$125,000,000) | DOCKET NO. 12-009-U |
| IN SECURED OR UNSECURED) | |
| PROMISSORY NOTES) | |

RESPONSE OF SOUTHWEST POWER POOL, INC. TO ORDER NO. 2

Southwest Power Pool, Inc. ("SPP") by and through its attorneys, hereby submits its Response to Order No. 2. In support thereof, SPP states as follows:

1. On February 3, 2012, SPP filed its *Application for Authority to Issue Indebtedness and Request for an Expedited Order* so that SPP could issue up to \$125,000,000 in secured or unsecured promissory notes ("Application") pursuant to the provisions of Ark Code. Ann. §§ 23-3-103 and 23-3-104 and Rule 5.01 of the Arkansas Public Service Commission's (the "Commission") Rules of Practice and Procedure. The Commission entered Order No. 2 approving SPP's Application in this Docket on April 12, 2012. Pursuant to the terms of Order No. 2, the Commission authorized SPP to issue secured or unsecured promissory notes in an aggregate principal amount not to exceed \$125,000,000.

2. In Order No. 2, the Commission directed SPP to file a full and complete copy of any lending company agreement transaction within thirty (30) days of the issuance of the initial notes and of the issuance of any additional notes. The Order further directed that the filing(s) should include the specific terms of the issuance including the actual interest rate, all fees and other relevant fact, and the detailed accounting entries to record the transactions.

3. A First Supplement to Note Purchase Agreement dated as of May 30, 2012 (“Agreement”) was executed among SPP, Great-West Life & Annuity Insurance Company, First Great-West Life & Annuity Insurance Company, Hartford Life Insurance Company, Hartford Life and Annuity Insurance Company, Hartford Accident and Indemnity Company, Physicians Life Insurance Company, Sun Life Assurance Company of Canada, Sun Life Assurance Company of Canada (U.S.), Sun Life Insurance and Annuity Company of New York, Modern Woodmen of America, Country Life Insurance Company, Cotton States Life Insurance Company, and Country Mutual Insurance Company (collectively, the “Series 2012D Purchasers”) for the sale of the unsecured \$50,000,000 3.00% Series 2012D-1 Senior Notes (“Series 2012D-1 Notes”), which were issued on May 30, 2012,¹ and the unsecured \$50,000,000 3.25% Series 2012D-2 Senior Notes (“Series 2010D-2 Notes”), which were issued on November 30, 2012.

4. In compliance with Order No. 2, SPP submits a complete copy of the Agreement as Exhibit 1 to this Response, along with the original Note Purchase Agreement dated as of October 28, 2010, which the Agreement supplements.² All relevant terms and facts, including the interest rate of 3.25% are set forth within the Agreement.

5. Pursuant to the Agreement, the legal fees from the Series 2012D Purchasers’ counsel and SPP counsel are to be paid from the proceeds. Such fees are set forth in Exhibit 2. The Placement Agents’ fees for the contemporaneous placement of the Series 2012D-1 Notes and Series 2012D-2 Notes were paid from the Series 2012D-1

¹ On June 21, 2012, SPP filed a Response to Order No. 2 for the issuance of the Series 2012D-1 Notes.

² The original Note Purchase Agreement dated as of October 28, 2012 was previously filed in Docket No. 09-128-U in connection with the issuance of SPP’s \$30,000,000 4.82% Series 2010-A Senior Notes, \$35,000,000 4.82% Series 2010-B Senior Notes, \$70,000,000 3.55% Series 2010-C Senior Notes. The Agreement with the original Note Purchase Agreement was previously filed in this Docket in connection with the Series 2012D-1 Notes in SPP’s Response to Order No. 2 filed on June 21, 2012.

Note proceeds and there were no additional placement agent fees paid from the proceeds of the Series 2012D-2 Notes.

6. The detailed accounting entries to record the transactions are attached hereto as Exhibit 3.

Respectfully submitted,

Southwest Power Pool, Inc.

By: 

Erin E. Cullum, AR BIN 2004070

Tessie Kentner, AR BIN 2007240

Southwest Power Pool, Inc.

415 North McKinley, Suite 140

Little Rock, AR 72205

Telephone (501) 688-2503

Facsimile (501) 664-9553

Attorneys for Southwest Power Pool, Inc.

EXHIBIT 1

**FIRST SUPPLEMENT TO NOTE PURCHASE AGREEMENT
DATED AS OF MAY 30, 2012**

AND

**NOTE PURCHASE AGREEMENT
DATED AS OF OCTOBER 28, 2010**

EXECUTION VERSION

SOUTHWEST POWER POOL, INC.

FIRST SUPPLEMENT TO NOTE PURCHASE AGREEMENT

Dated as of May 30, 2012

Re: \$50,000,000 3.00% Series 2012D-1 Senior Notes, due March 30, 2024

and

\$50,000,000 3.25% Series 2012D-2 Senior Notes, due September 30, 2024

**SOUTHWEST POWER POOL, INC.
415 NORTH MCKINLEY, SUITE 700 PLAZA WEST
LITTLE ROCK, ARKANSAS 72205-3020**

Dated as of
May 30, 2012

To the Purchasers named in
Schedule A hereto

Ladies and Gentlemen:

This First Supplement to Note Purchase Agreement (the “*Supplement*”) is between SOUTHWEST POWER POOL, INC., an Arkansas not-for-profit corporation (the “*Company*”), and the institutional investors named on Schedule A attached hereto (the “*Purchasers*”).

Reference is hereby made to that certain Note Purchase Agreement dated as of October 28, 2010 (the “*Note Purchase Agreement*”) between the Company and the purchasers listed on Schedule A thereto. All capitalized terms not otherwise defined herein shall have the same meaning as specified in the Note Purchase Agreement. Reference is further made to Section 2.2 of the Note Purchase Agreement which requires that, prior to the delivery of any Additional Notes, the Company and each Additional Purchaser shall execute and deliver a Supplement.

The Company hereby agrees with the Purchasers as follows:

1. The Company has authorized the issuance and sale of (i) \$50,000,000 aggregate principal amount of its 3.00% Series 2012D-1 Senior Notes, due March 30, 2024 (the “*Series 2012D-1 Notes*”) and (ii) \$50,000,000 aggregate principal amount of its 3.25% Series 2012D-2 Senior Notes, due September 30, 2024 (the “*Series 2012D-2 Notes*” and together with the Series 2012D-1 Notes, the “*Series 2012D Notes*”). The Series 2012D Notes, together with the Series 2010 Notes initially issued pursuant to the Note Purchase Agreement and each series of Additional Notes which may from time to time hereafter be issued pursuant to the provisions of Section 2.2 of the Note Purchase Agreement, are collectively referred to as the “*Notes*” (such term shall also include any such notes issued in substitution therefor pursuant to Section 13 of the Note Purchase Agreement). The Series 2012D-1 Notes and the Series 2012D-2 Notes shall be substantially in the form set out in Exhibits 1(a) and 1(b) hereto, respectively, with such changes therefrom, if any, as may be approved by the Purchasers and the Company.

2. Subject to the terms and conditions hereof and as set forth in the Note Purchase Agreement and on the basis of the representations and warranties hereinafter set forth, the Company agrees to issue and sell to each applicable Purchaser, and such Purchaser agrees to purchase from the Company, Series 2012D Notes in the series and in the principal amount set

forth opposite such Purchaser's name on Schedule A hereto at a price of 100% of the principal amount thereof on the closing date hereinafter mentioned.

3. The execution and delivery of this Supplement and the sale and purchase of the Series 2012D-1 Notes to be purchased by the applicable Purchasers shall occur at a closing at 10:00 a.m. Chicago time, on May 30, 2012 or on such other Business Day thereafter on or prior to June 13, 2012 as may be agreed upon by the Company and the applicable Purchasers (the "*First Closing*"), and the sale and purchase of the Series 2012D-2 Notes to be purchased by the applicable Purchasers shall occur at a closing at 10:00 a.m. Chicago time, on November 30, 2012 or on such other Business Day thereafter on or prior to December 15, 2012 as may be agreed upon by the Company and the applicable Purchasers (the "*Second Closing*"), in each case at the offices of Chapman and Cutler LLP. The First Closing and the Second Closing are each referred to as a "*Closing*." At the applicable Closing, the Company will deliver to the applicable Purchasers the Series 2012D Notes of the series to be purchased by such Purchaser in the form of a single Series 2012D Note (or such greater number of Series 2012D Notes in denominations of at least \$100,000 as such Purchaser may request) dated the date of the Closing and registered in such Purchaser's name (or in the name of such Purchaser's nominee), against delivery by such Purchaser to the Company or its order of immediately available funds in the amount of the purchase price therefor by wire transfer of immediately available funds for the account of the Company to account number 0114080745 at Regions Bank, Little Rock, Arkansas, ABA Number 062005690, in the Account Name of "Southwest Power Pool, Inc.". If, at the applicable Closing, the Company shall fail to tender such Series 2012D Notes to any Purchaser as provided above in this Section 3, or any of the conditions specified in Section 4 shall not have been fulfilled to any Purchaser's satisfaction, such Purchaser shall, at such Purchaser's election, be relieved of all further obligations under this Agreement, without thereby waiving any rights such Purchaser may have by reason of such failure or such nonfulfillment.

4. The obligation of each Purchaser to purchase and pay for the Series 2012D Notes to be sold to such Purchaser at the applicable Closing is subject to the fulfillment to such Purchaser's satisfaction, prior to the applicable Closing, of the conditions set forth in Section 4 of the Note Purchase Agreement with respect to the Series 2012D Notes to be purchased at the applicable Closing, and to the following additional conditions (applicable to each Closing):

(a) Except as supplemented, amended or superceded by the representations and warranties set forth in Exhibit A hereto, each of the representations and warranties of the Company set forth in Section 5 of the Note Purchase Agreement shall be correct as of the date of Closing and the Company shall have delivered to each Purchaser an Officer's Certificate, dated the date of the Closing certifying that such condition has been fulfilled.

(b) Contemporaneously with the Closing, the Company shall sell the applicable Purchasers, and each such Purchaser shall purchase, the Series 2012D Notes to be purchased by such Purchaser at the Closing as specified in Schedule A.

5. (a) *Required Payments and Prepayments.* On the 30th day of March, June, September and December in each year, commencing on June 30, 2014, and on each of said quarterly dates in each year thereafter to and including December 30, 2023, the Company will

prepay \$1,250,000 principal amount (or such lesser principal amount as shall then be outstanding) of the Series 2012D-1 Notes at par without payment of the Make-Whole Amount or premium, *provided* that upon any partial prepayment of the Series 2012D-1 Notes pursuant to Section 8.2 or Section 8.3 of the Note Purchase Agreement, the principal amount of each required prepayment of the Series 2012D-1 Notes becoming due under this paragraph 5 on and after the date of such prepayment shall be reduced in the same proportion as the aggregate unpaid principal amount of the Series 2012D-1 Notes is reduced as a result of such prepayment. The entire unpaid principal amount of the Series 2012D-1 Notes shall become due and payable on March 30, 2024.

On the 30th day of March, June, September and December in each year, commencing on December 30, 2014, and on each of said quarterly dates in each year thereafter to and including June 30, 2024, the Company will prepay \$1,250,000 principal amount (or such lesser principal amount as shall then be outstanding) of the Series 2012D-2 Notes at par without payment of the Make-Whole Amount or premium, *provided* that upon any partial prepayment of the Series 2012D-2 Notes pursuant to Section 8.2 or Section 8.3 of the Note Purchase Agreement, the principal amount of each required prepayment of the Series 2012D-2 Notes becoming due under this paragraph 5 on and after the date of such prepayment shall be reduced in the same proportion as the aggregate unpaid principal amount of the Series 2012D-2 Notes is reduced as a result of such prepayment. The entire unpaid principal amount of the Series 2012D-2 Notes shall become due and payable on September 30, 2024.

(b) *Make-Whole Amount For Series 2012D Notes.* The term “*Make-Whole Amount*” for the Series 2012D Notes means, with respect to a Series 2012D Note, an amount equal to the excess, if any, of the Discounted Value of the Remaining Scheduled Payments with respect to the Called Principal of such Series 2012D Note over the amount of such Called Principal, *provided* that the Make-Whole Amount may in no event be less than zero. For the purposes of determining the Make-Whole Amount, the following terms have the following meanings:

“*Called Principal*” means, with respect to a Series 2012D Note, the principal of such Series 2012D Note that is to be prepaid pursuant to Section 8.3 of the Note Purchase Agreement or has become or is declared to be immediately due and payable pursuant to Section 12.1 of the Note Purchase Agreement, as the context requires.

“*Discounted Value*” means, with respect to the Called Principal of a Series 2012D Note, the amount obtained by discounting all Remaining Scheduled Payments with respect to such Called Principal from their respective scheduled due dates to the Settlement Date with respect to such Called Principal, in accordance with accepted financial practice and at a discount factor (applied on the same periodic basis as that on which interest on the Series 2012D Notes is payable) equal to the Reinvestment Yield with respect to such Called Principal.

“*Reinvestment Yield*” means, with respect to the Called Principal of a Series 2012D Note, the sum of 0.50% plus the yield to maturity implied by (i) the yields reported as of 10:00 a.m. (New York City time) on the second Business Day preceding the Settlement Date with respect to such Called Principal, on the display designated as

“Page PX1” (or such other display as may replace Page PX1) on Bloomberg Financial Markets (“*Bloomberg*”) for the most recently issued actively traded U.S. Treasury securities having a maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date, or (ii) if such yields are not reported as of such time or the yields reported as of such time are not ascertainable (including by way of interpolation), the Treasury Constant Maturity Series Yields reported, for the latest day for which such yields have been so reported as of the second Business Day preceding the Settlement Date with respect to such Called Principal, in Federal Reserve Statistical Release H.15 (or any comparable successor publication) for actively traded U.S. Treasury securities having a constant maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date. Such implied yield will be determined, if necessary, by (a) converting U.S. Treasury bill quotations to bond equivalent yields in accordance with accepted financial practice and (b) interpolating linearly between (1) the actively traded U.S. Treasury security with the maturity closest to and greater than such Remaining Average Life and (2) the actively traded U.S. Treasury security with the maturity closest to and less than such Remaining Average Life. The Reinvestment Yield shall be rounded to the number of decimal places as appears in the coupon of the Series 2012D Note.

“*Remaining Average Life*” means, with respect to any Called Principal, the number of years (calculated to the nearest one-twelfth year) obtained by dividing (i) such Called Principal into (ii) the sum of the products obtained by multiplying (a) the principal component of each Remaining Scheduled Payment with respect to such Called Principal by (b) the number of years (calculated to the nearest one-twelfth year) that will elapse between the Settlement Date with respect to such Called Principal and the scheduled due date of such Remaining Scheduled Payment.

“*Remaining Scheduled Payments*” means, with respect to the Called Principal of a Series 2012D Note, all payments of such Called Principal and interest thereon that would be due after the Settlement Date with respect to such Called Principal if no payment of such Called Principal were made prior to its scheduled due date, *provided* that if such Settlement Date is not a date on which interest payments are due to be made under the terms of the Series 2012D Note, then the amount of the next succeeding scheduled interest payment will be reduced by the amount of interest accrued to such Settlement Date and required to be paid on such Settlement Date pursuant to Section 8.3 or 12.1 of the Note Purchase Agreement.

“*Settlement Date*” means, with respect to the Called Principal of a Series 2012D Note, the date on which such Called Principal is to be prepaid pursuant to Section 8.3 of the Note Purchase Agreement or has become or is declared to be immediately due and payable pursuant to Section 12.1 of the Note Purchase Agreement, as the context requires.

6. The Company will not and will not permit any Controlled Entity (as defined in Exhibit A hereto) to (a) become a Blocked Person (as defined in Exhibit A hereto) or (b) have any investments in or engage in any dealings or transactions with any Blocked Person except in

accordance with applicable law and in a manner where such investments, transactions or dealings would not cause the purchase, holding or receipt of any payment or exercise of any rights in respect of any Note by the holder thereof to be in violation of any laws or regulations administered by OFAC (as defined in Exhibit A hereto). If the Company defaults in the compliance with this paragraph 6 and such default is not remedied within 30 days after the occurrence of such default, such event shall constitute an “Event of Default” under Section 11(c) of the Note Purchase Agreement.

7. For purposes of determining compliance with the covenants set out in the Note Purchase Agreement, any election by the Company to measure any financial liability using fair value (as permitted by Accounting Standard Codification Topic No. 825-10-25 – *Fair Value Option* or any similar accounting standard) shall be disregarded and such determination shall be made as if such election has not been made. Notwithstanding any other provision of herein or in the Note Purchase Agreement to the contrary, the determination of whether a lease constitutes a capital lease or an operating lease, and whether obligations arising under a lease are required to be capitalized on the balance sheet of the lessee thereunder and/or recognized as interest expense, shall be determined by reference to GAAP as in effect on the date of this Supplement.

8. For purposes of this Supplement, “*Bank Credit Agreement*” shall mean (i) that certain Credit Agreement dated as of August 24, 2007, by and between the Company and U.S. Bank National Association, (ii) that certain Credit Agreement dated as of July 23, 2009, by and between the Company and U.S. Bank National Association and (iii) that certain Loan Agreement entered into on June 17, 2011, by the Company and Regions Bank, in each case, as such agreement may be hereafter amended, modified, restated, supplemented, refinanced, replaced, increased or reduced from time to time, and any successor credit agreement or similar facilities.

9. For purposes of the Note Purchase Agreement, as supplemented by this Supplement, “*Required Holders*” shall mean, at any time, the holders of at least 51% in principal amount of the Notes at the time outstanding (exclusive of Notes then owned by the Company or any of its Affiliates and any Notes held by parties who are contractually required to abstain from voting with respect to matters affecting the holders of the Notes); *provided* that, during the period from and including the date of the First Closing through and including the date of the Second Closing, all Series 2012D-2 Notes contemplated to be issued at the Second Closing will be deemed to be outstanding for purposes of this definition.

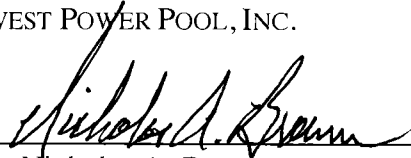
10. Each Purchaser represents and warrants that the representations and warranties set forth in Section 6 of the Note Purchase Agreement are true and correct on the date hereof with respect to the purchase of the Series 2012D Notes by such Purchaser.

11. The Company and each Purchaser agree to be bound by and comply with the terms and provisions of the Note Purchase Agreement as fully and completely as if such Purchaser were an original signatory to the Note Purchase Agreement.

The execution hereof shall constitute a contract between the Company and the Purchasers for the uses and purposes hereinabove set forth, and this agreement may be executed in any number of counterparts, each executed counterpart constituting an original but all together only one agreement.

SOUTHWEST POWER POOL, INC.

By

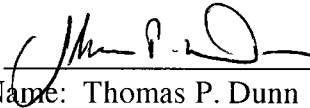


Name: Nicholas A. Brown

Title: President and Chief Executive Officer

APPROVED
BY

By

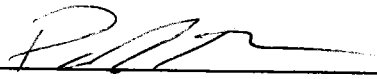


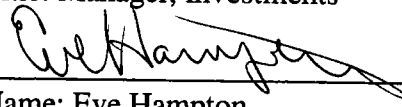
Name: Thomas P. Dunn

Title: Chief Financial Officer

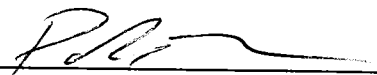
Accepted as of the date first written above.

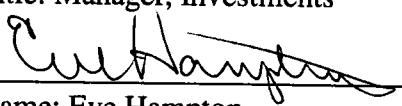
GREAT-WEST LIFE & ANNUITY INSURANCE
COMPANY

By 
Name: Paul Runnalls
Title: Manager, Investments

By 
Name: Eve Hampton
Title: VP, Investments

FIRST GREAT-WEST LIFE & ANNUITY INSURANCE
COMPANY

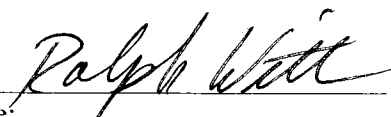
By 
Name: Paul Runnalls
Title: Manager, Investments

By 
Name: Eve Hampton
Title: VP, Investments

Accepted as of the date first written above.

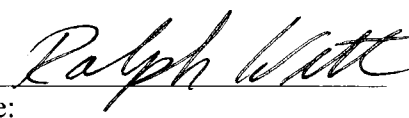
HARTFORD LIFE INSURANCE COMPANY
HARTFORD LIFE AND ANNUITY INSURANCE COMPANY
HARTFORD ACCIDENT AND INDEMNITY COMPANY
By: Hartford Investment Management Company
Their Agent and Attorney-in-Fact



By: 
Name: RALPH WITT
Title: SENIOR VICE PRESIDENT

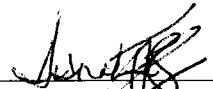
PHYSICIANS LIFE INSURANCE COMPANY
By: Hartford Investment Management Company
Its Investment Manager




By: 
Name: RALPH WITT
Title: SENIOR VICE PRESIDENT

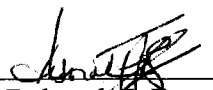
Accepted as of the date first written above.


SUN LIFE ASSURANCE COMPANY OF CANADA

By: 
Name: Deborah J. Foss
Title: Managing Director, Head of Private Debt
Private Fixed Income

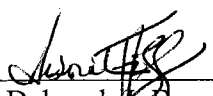
By: 
Name: Ann C. King
Title: Assistant Vice President and
Senior Counsel


SUN LIFE ASSURANCE COMPANY OF CANADA (U.S.)

By: 
Name: Deborah J. Foss
Title: Authorized Signer

By: 
Name: Ann C. King
Title: Authorized Signer


SUN LIFE INSURANCE AND ANNUITY COMPANY OF NEW
YORK

By: 
Name: Deborah J. Foss
Title: Authorized Signer

By: 
Name: Ann C. King
Title: Authorized Signer

Accepted as of the date first written above.

MODERN WOODMEN OF AMERICA

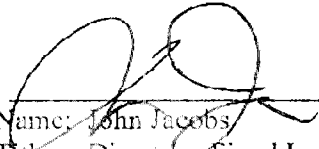
By 

Name: Michael E. Dau

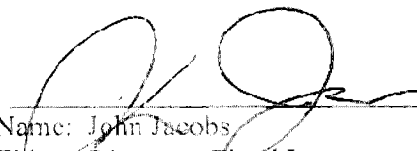
Title: Treasurer & Investment Manager

Accepted as of the date first written above.

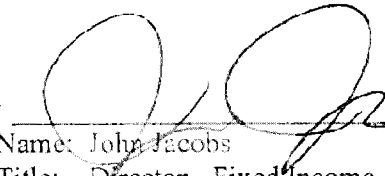
COUNTRY LIFE INSURANCE COMPANY

By 
Name: John Jacobs
Title: Director - Fixed Income

COTTON STATES LIFE INSURANCE COMPANY

By 
Name: John Jacobs
Title: Director - Fixed Income

COUNTRY MUTUAL INSURANCE COMPANY

By 
Name: John Jacobs
Title: Director - Fixed Income

INFORMATION RELATING TO PURCHASERS

| NAME OF AND ADDRESS OF PURCHASER | SERIES OF NOTES | PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED |
|--|--------------------|---|
| GREAT-WEST LIFE & ANNUITY INSURANCE COMPANY | 2012D-1 | \$5,000,000 |
| 8515 East Orchard Road, 3T2 Greenwood Village, CO 80111 Attn: Investments Division | 2012D-2 | \$16,000,000 |

Payments

All payments on or in respect of the Notes shall be made by wire transfer as follows:

The Bank of New York Mellon
ABA No.: 021-000-018
BNF Account No.: IOC566
Further Credit To: Great-West Life/Acct No. 640935

Reference: 1) security description (including PPN)
2) allocation of payment between principal and interest
3) confirmation of principal balance

Notices

All notices and communications, including notices with respect to payments and written confirmation of each such payment to be addressed to:

Great-West Life & Annuity Insurance Company
8515 East Orchard Road, 3T2
Greenwood Village, CO 80111
Attn: Investments Division
Fax: (303) 737-6193

Physical Delivery

The Bank of New York Mellon
3rd Floor, Window A
One Wall Street
New York, NY 10286
Attn: Receive/Deliver Dept (Great-West Life/Acct No. 640935)

Name of Nominee in which Notes are to be issued: None

Taxpayer I.D. Number: 84-0467907

| NAME OF AND ADDRESS OF PURCHASER | SERIES OF NOTES | PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED |
|--|--------------------|---|
| FIRST GREAT-WEST LIFE & ANNUITY INSURANCE COMPANY 8515 East Orchard Road, 3T2 Greenwood Village, CO 80111 Attn: Investments Division | 2012D-1 | \$5,000,000 |

Payments

All payments on or in respect of the Notes shall be made by wire transfer as follows:

The Bank of New York Mellon
ABA No.: 021-000-018
BNF Account No.: IOC566
Further Credit To: First GWLA/Acct No. 235207

Reference: 1) security description (including PPN)
2) allocation of payment between principal and interest
3) confirmation of principal balance

Notices

All notices and communications, including notices with respect to payments and written confirmation of each such payment to be addressed to:

First Great-West Life & Annuity Insurance Company
8515 East Orchard Road, 3T2
Greenwood Village, CO 80111
Attn: Investments Division
Fax: (303) 737-6193

Physical Delivery

The Bank of New York Mellon
3rd Floor, Window A
One Wall Street
New York, NY 10286
Attn: Receive/Deliver Dept (First GWLA/Acct No. 235207)

Name of Nominee in which Notes are to be issued: None

Taxpayer I.D. Number: 13-2690792

| NAME OF AND ADDRESS OF PURCHASER | SERIES OF NOTES | PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED |
|---|--------------------|---|
| HARTFORD LIFE INSURANCE COMPANY c/o Hartford Investment Management Company c/o Investment Department - Private Placements <i>Regular Mailing Address:</i> P. O. Box 1744 Hartford, Connecticut 06144-1744 <i>Overnight Mailing Address:</i> 55 Farmington Avenue Hartford, Connecticut 06105 Email: john.knox@himco.com and PrivatePlacements.Himco@himco.com Telefacsimile: (860) 297-8884 | 2012D-1 | \$5,000,000 |

Payments

All payments by wire transfer of immediately available funds to:

JP Morgan Chase
4 New York Plaza
New York, New York 10004
Bank ABA No. 021000021
Chase NYC/Cust
A/C #900-9-000200 for F/C/T **G06607-LGA-B**
Attn: Note Interest/Principal – Southwest Power Pool, Inc., 3.00% Senior Notes,
due March 30, 2024
PPN _____ Prin \$ _____ Int \$ _____

with sufficient information to identify the source and application of such funds.

Notices

All notices and communications with respect to payments, and written confirmation of each such wire transfers to be addressed to **Hartford Investment Management Company, c/o Portfolio Support** at the address first provided above. Telefacsimile: (860) 297-8875/8876.

All other communications to be addressed as first provided above.

Notices and communications may only be emailed subject to confirming copy of notice or other communication being sent same day by recognized commercial delivery service (charges prepaid).

Physical Delivery of Notes

(For Overnight or Standard Mail)

JPMorgan Chase Bank, N.A.

4 Chase Metrotech Center, 3rd Floor

Brooklyn, New York 11245-0001

Attention: Physical Receive Department

(Use Willoughby Street Entrance)

Custody Account Number: **G06607-LGA-B (must appear on outside of envelope)**

(Street Deliveries via messenger or walk up)

JPMorgan Chase Bank, N.A.

4 Chase Metrotech Center, 1st Floor, Window 5

Brooklyn, NY 11245-0001

Attention: Physical Receive Department

(Use Willoughby Street Entrance)

Custody Account Number: **G06607-LGA-B (must appear on outside of envelope)**

Name of Nominee in which Notes are to be issued: None

Taxpayer I.D. Number: 06-0974148

| NAME OF AND ADDRESS OF PURCHASER | SERIES OF NOTES | PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED |
|---|--------------------|---|
| HARTFORD LIFE INSURANCE COMPANY c/o Hartford Investment Management Company c/o Investment Department - Private Placements <i>Regular Mailing Address:</i> P. O. Box 1744 Hartford, Connecticut 06144-1744 <i>Overnight Mailing Address:</i> 55 Farmington Avenue Hartford, Connecticut 06105 Email: john.knox@himco.com and PrivatePlacements.Himco@himco.com Telefacsimile: (860) 297-8884 | 2012D-1 | \$5,000,000 |

Payments

All payments by wire transfer of immediately available funds to:

JP Morgan Chase
4 New York Plaza
New York, New York 10004
Bank ABA No. 021000021
Chase NYC/Cust
A/C #900-9-000200 for F/C/T **G06612-HVA-B**
Attn: Note Interest/Principal – Southwest Power Pool, Inc., 3.00% Senior Notes,
due March 30, 2024
PPN _____ Prin \$_____ Int \$_____

with sufficient information to identify the source and application of such funds.

Notices

All notices and communications with respect to payments, and written confirmation of each such wire transfers to be addressed to **Hartford Investment Management Company, c/o Portfolio Support** at the address first provided above. Telefacsimile: (860) 297-8875/8876.

All other communications to be addressed as first provided above.

Notices and communications may only be emailed subject to confirming copy of notice or other communication being sent same day by recognized commercial delivery service (charges prepaid).

Physical Delivery of Notes

(For Overnight or Standard Mail)

JPMorgan Chase Bank, N.A.

4 Chase Metrotech Center, 3rd Floor

Brooklyn, New York 11245-0001

Attention: Physical Receive Department

(Use Willoughby Street Entrance)

Custody Account Number: **G06612-HVA-B (must appear on outside of envelope)**

(Street Deliveries via messenger or walk up)

JPMorgan Chase Bank, N.A.

4 Chase Metrotech Center, 1st Floor, Window 5

Brooklyn, NY 11245-0001

Attention: Physical Receive Department

(Use Willoughby Street Entrance)

Custody Account Number: **G06612-HVA-B (must appear on outside of envelope)**

Name of Nominee in which Notes are to be issued: None

Taxpayer I.D. Number: 06-0974148

| NAME OF AND ADDRESS OF PURCHASER | SERIES OF NOTES | PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED |
|---|--------------------|---|
| PHYSICIANS LIFE INSURANCE COMPANY c/o Hartford Investment Management Company c/o Investment Department - Private Placements <i>Regular Mailing Address:</i> P. O. Box 1744 Hartford, Connecticut 06144-1744 <i>Overnight Mailing Address:</i> 55 Farmington Avenue Hartford, Connecticut 06105 Email: john.knox@himco.com and PrivatePlacements.Himco@himco.com Telefacsimile: (860) 297-8884 | 2012D-1 | \$1,000,000 |

Payments

All payments by wire transfer of immediately available funds to:

The Northern Trust Company
ABA No. 071 000 152
Account # 5186041000
F/C/T **Physicians Life Insurance Company - (26-27103-QPL)**
Attn: INC/DIV
PPN _____; Prin \$_____ Int \$_____
Ref: Southwest Power Pool, Inc., 3.00% Senior Notes, due March 30, 2024

with sufficient information to identify the source and application of such funds.

Notices

All notices and communications with respect to payments, and written confirmation of each such wire transfers to be addressed:

Physicians Life Insurance Company
Attention: Steve Scanlon
2600 Dodge Street
Omaha, Nebraska 68131
Facsimile: (402) 633-1096

All other communications to be addressed as first provided above.

Notices and communications may only be emailed subject to confirming copy of notice or other communication being sent same day by recognized commercial delivery service (charges prepaid).

Physical Delivery of Notes

Northern Trust Co.
Trade Securities Processing
801 South Canal Street, C-1N
Chicago, IL 60607
(312) 630-6979
Northern Account: 26-27103 - Physicians Life Insurance Company

Name of Nominee in which Notes are to be issued: ELL & Co.

Taxpayer I.D. Number: 47-0529583

| NAME OF AND ADDRESS OF PURCHASER | SERIES OF NOTES | PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED |
|---|--------------------|---|
| PHYSICIANS LIFE INSURANCE COMPANY c/o Hartford Investment Management Company c/o Investment Department - Private Placements <i>Regular Mailing Address:</i> P. O. Box 1744 Hartford, Connecticut 06144-1744 <i>Overnight Mailing Address:</i> 55 Farmington Avenue Hartford, Connecticut 06105 Email: john.knox@himco.com and PrivatePlacements.Himco@himco.com Telefacsimile: (860) 297-8884 | 2012D-1 | \$1,000,000 |

Payments

All payments by wire transfer of immediately available funds to:

The Northern Trust Company
ABA No. 071 000 152
Account # 5186041000
F/C/T **Physicians Life Insurance Company - (26-27104-QPA)**
Attn: INC/DIV
PPN _____; Prin \$_____ Int \$_____
Ref: Southwest Power Pool, Inc., 3.00% Senior Notes, due March 30, 2024

with sufficient information to identify the source and application of such funds.

Notices

All notices and communications with respect to payments, and written confirmation of each such wire transfers to be addressed:

Physicians Life Insurance Company
Attention: Steve Scanlon
2600 Dodge Street
Omaha, Nebraska 68131
Facsimile: (402) 633-1096

All other communications to be addressed as first provided above.

Notices and communications may only be emailed subject to confirming copy of notice or other communication being sent same day by recognized commercial delivery service (charges prepaid).

Physical Delivery of Notes

Northern Trust Co.
Trade Securities Processing
801 South Canal Street, C-1N
Chicago, IL 60607
(312) 630-6979
Northern Account: 26-27104 - Physicians Life Insurance Company

Name of Nominee in which Notes are to be issued: ELL & Co.

Taxpayer I.D. Number: 47-0529583

| NAME OF AND ADDRESS OF PURCHASER | SERIES OF NOTES | PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED |
|--|--------------------|---|
| HARTFORD ACCIDENT AND INDEMNITY COMPANY | 2012D-2 | \$5,000,000 |
| c/o Hartford Investment Management Company | 2012D-2 | \$1,000,000 |
| c/o Investment Department - Private Placements | | |
| <i>Regular Mailing Address:</i> | | |
| P. O. Box 1744 | | |
| Hartford, Connecticut 06144-1744 | | |
| <i>Overnight Mailing Address:</i> | | |
| 55 Farmington Avenue | | |
| Hartford, Connecticut 06105 | | |
| Email: john.knox@himco.com and | | |
| PrivatePlacements.Himco@himco.com | | |
| Telefacsimile: (860) 297-8884 | | |

Payments

All payments by wire transfer of immediately available funds to:

JP Morgan Chase
4 New York Plaza
New York, New York 10004
Bank ABA No. 021000021
Chase NYC/Cust
A/C #900-9-000200 for F/C/T **G06239-HAI-B**
Attn: Note Interest/Principal – Southwest Power Pool, Inc., 3.25% Senior Notes,
due September 30, 2024
PPN _____ Prin \$_____ Int \$_____

with sufficient information to identify the source and application of such funds.

Notices

All notices and communications with respect to payments, and written confirmation of each such wire transfers to be addressed to **Hartford Investment Management Company, c/o Portfolio Support** at the address first provided above. Telefacsimile: (860) 297-8875/8876.

All other communications to be addressed as first provided above.

Notices and communications may only be emailed subject to confirming copy of notice or other communication being sent same day by recognized commercial delivery service (charges prepaid).

Physical Delivery of Notes

(For Overnight or Standard Mail)

JPMorgan Chase Bank, N.A.

4 Chase Metrotech Center, 3rd Floor

Brooklyn, New York 11245-0001

Attention: Physical Receive Department

(Use Willoughby Street Entrance)

Custody Account Number: **G06239-HAI-B (must appear on outside of envelope)**

(Street Deliveries via messenger or walk up)

JPMorgan Chase Bank, N.A.

4 Chase Metrotech Center, 1st Floor, Window 5

Brooklyn, NY 11245-0001

Attention: Physical Receive Department

(Use Willoughby Street Entrance)

Custody Account Number: **G06239-HAI-B (must appear on outside of envelope)**

Name of Nominee in which Notes are to be issued: None

Taxpayer I.D. Number: 06-0383030

| NAME OF AND ADDRESS OF PURCHASER | SERIES OF NOTES | PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED |
|---|--------------------|---|
| HARTFORD LIFE INSURANCE COMPANY c/o Hartford Investment Management Company c/o Investment Department - Private Placements <i>Regular Mailing Address:</i> P. O. Box 1744 Hartford, Connecticut 06144-1744 <i>Overnight Mailing Address:</i> 55 Farmington Avenue Hartford, Connecticut 06105 Email: john.knox@himco.com and PrivatePlacements.Himco@himco.com Telefacsimile: (860) 297-8884 | 2012D-2 | \$5,000,000 |

Payments

All payments by wire transfer of immediately available funds to:

JP Morgan Chase
4 New York Plaza
New York, New York 10004
Bank ABA No. 021000021
Chase NYC/Cust
A/C #900-9-000200 for F/C/T **G06610-LFA-B**
Attn: Note Interest/Principal – Southwest Power Pool, Inc., 3.25% Senior Notes,
due September 30, 2024
PPN _____ Prin \$_____ Int \$_____

with sufficient information to identify the source and application of such funds.

Notices

All notices and communications with respect to payments, and written confirmation of each such wire transfers to be addressed to **Hartford Investment Management Company, c/o Portfolio Support** at the address first provided above. Telefacsimile: (860) 297-8875/8876.

All other communications to be addressed as first provided above.

Notices and communications may only be emailed subject to confirming copy of notice or other communication being sent same day by recognized commercial delivery service (charges prepaid).

Physical Delivery of Notes

(For Overnight or Standard Mail)

JPMorgan Chase Bank, N.A.

4 Chase Metrotech Center, 3rd Floor

Brooklyn, New York 11245-0001

Attention: Physical Receive Department

(Use Willoughby Street Entrance)

Custody Account Number: **G06610-LFA-B (must appear on outside of envelope)**

(Street Deliveries via messenger or walk up)

JPMorgan Chase Bank, N.A.

4 Chase Metrotech Center, 1st Floor, Window 5

Brooklyn, NY 11245-0001

Attention: Physical Receive Department

(Use Willoughby Street Entrance)

Custody Account Number: **G06610-LFA-B (must appear on outside of envelope)**

Name of Nominee in which Notes are to be issued: None

Taxpayer I.D. Number: 06-0974148

| NAME OF AND ADDRESS OF PURCHASER | SERIES OF NOTES | PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED |
|---|--------------------|---|
| HARTFORD LIFE AND ANNUITY INSURANCE COMPANY c/o Hartford Investment Management Company c/o Investment Department - Private Placements <i>Regular Mailing Address:</i> P. O. Box 1744 Hartford, Connecticut 06144-1744 <i>Overnight Mailing Address:</i> 55 Farmington Avenue Hartford, Connecticut 06105 Email: john.knox@himco.com and PrivatePlacements.Himco@himco.com Telefacsimile: (860) 297-8884 | 2012D-2 | \$3,000,000 |

Payments

All payments by wire transfer of immediately available funds to:

JP Morgan Chase
4 New York Plaza
New York, New York 10004
Bank ABA No. 021000021
Chase NYC/Cust
A/C #900-9-000200 for F/C/T **G06583-ILA-B**
Attn: Note Interest/Principal – Southwest Power Pool, Inc., 3.25% Senior Notes,
due September 30, 2024
PPN _____ Prin \$_____ Int \$_____

with sufficient information to identify the source and application of such funds.

Notices

All notices and communications with respect to payments, and written confirmation of each such wire transfers to be addressed to **Hartford Investment Management Company, c/o Portfolio Support** at the address first provided above. Telefacsimile: (860) 297-8875/8876.

All other communications to be addressed as first provided above.

Notices and communications may only be emailed subject to confirming copy of notice or other communication being sent same day by recognized commercial delivery service (charges prepaid).

Physical Delivery of Notes

(For Overnight or Standard Mail)

JPMorgan Chase Bank, N.A.

4 Chase Metrotech Center, 3rd Floor

Brooklyn, New York 11245-0001

Attention: Physical Receive Department

(Use Willoughby Street Entrance)

Custody Account Number: **G06583-ILA-B (must appear on outside of envelope)**

(Street Deliveries via messenger or walk up)

JPMorgan Chase Bank, N.A.

4 Chase Metrotech Center, 1st Floor, Window 5

Brooklyn, NY 11245-0001

Attention: Physical Receive Department

(Use Willoughby Street Entrance)

Custody Account Number: **G06583-ILA-B (must appear on outside of envelope)**

Name of Nominee in which Notes are to be issued: None

Taxpayer I.D. Number: 39-1052598

| NAME OF AND ADDRESS OF PURCHASER | SERIES OF NOTES | PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED |
|---|--------------------|---|
| SUN LIFE ASSURANCE COMPANY OF CANADA | 2012D-1 | \$3,000,000 |
| Attn: Investments/Private Fixed Income/SC1303 | 2012D-2 | \$6,000,000 |
| One Sun Life Executive Park | | |
| Wellesley Hills, MA 02481 | | |

Payments

All payments on or in respect of the Notes to be by bank wire transfer of Federal or other immediately available funds (identifying each Series **2012D-1** payment as “Southwest Power Pool, Inc., 3.00% Series 2012D-1 Senior Notes, due March 30, 2024, PPN, principal, premium or interest”) and (identifying each Series **2012D-2** payment as “Southwest Power Pool, Inc., 3.25% Series 2012D-2 Senior Notes, due September 30, 2024, PPN, principal, premium or interest”) to:

Citibank, N.A.

ABA No.: 021000089

Account No.: 36112805

For Further Credit

Account Name: Sun Life of Canada Trust

Account No.: 199541

RE: Southwest Power Pool, Inc.; 3.00% Senior Notes due March 30, 2024, PPN or
Southwest Power Pool, Inc.; 3.25% Senior Notes due September 30, 2024, PPN

Notices

All notices and correspondence, including notices of non-routine payments, to be addressed as first provided above, **except** written notices with respect to routine payments and any audit confirmation of each such payment, to be addressed:

Sun Life Financial

Attn: Investments/Private Fixed Income — SC302D26

227 King Street South

Waterloo, ON N2J 4C5 Canada

Physical Delivery of Notes

Sun Capital Advisers LLC

SC1303

One Sun Life Executive Park

Wellesley Hills, MA 02481-5699

Attn: Linda R. Guillette

Phone: (781) 446-1704

Name of Nominee in which Notes are to be issued: None

Taxpayer I.D. Number: 38-1082080

| NAME OF AND ADDRESS OF PURCHASER | SERIES OF NOTES | PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED |
|--|--------------------|---|
| SUN LIFE ASSURANCE COMPANY OF CANADA (U.S.) | 2012D-1 | \$3,000,000 |
| Attn: Investments/Private Fixed Income/SC1303 | 2012D-2 | \$4,000,000 |
| One Sun Life Executive Park | | |
| Wellesley Hills, MA 02481 | | |

Payments

All payments on or in respect of the Notes to be by bank wire transfer of Federal or other immediately available funds (identifying each Series **2012D-1** payment as “Southwest Power Pool, Inc., 3.00% Series 2012D-1 Senior Notes, due March 30, 2024, PPN, principal, premium or interest”) and (identifying each Series **2012D-2** payment as “Southwest Power Pool, Inc., 3.25% Series 2012D-2 Senior Notes, due September 30, 2024, PPN, principal, premium or interest”) to:

Mellon Bank of New England
ABA No.: 011001234
DDA: 125261
Attention: MBS Income CC1253
Account Name: Sun Life (U.S.)
Account No.: KEYF1112002
RE: Southwest Power Pool, Inc.; 3.00% Senior Notes due March 30, 2024, PPN or
Southwest Power Pool, Inc.; 3.25% Senior Notes due September 30, 2024, PPN

Notices

All notices and correspondence, including notices of non-routine payments, to be addressed as first provided above, **except** written notices with respect to routine payments and any audit confirmation of each such payment, to be addressed:

Sun Life Financial
Attn: Investments/Private Fixed Income — SC302D26
227 King Street South
Waterloo, ON N2J 4C5 Canada

Physical Delivery of Notes

Sun Capital Advisers LLC
SC1303
One Sun Life Executive Park
Wellesley Hills, MA 02481-5699
Attn: Linda R. Guillette
Phone: (781) 446-1704

Name of Nominee in which Notes are to be issued: None

Taxpayer I.D. Number: 04-2461439

| NAME OF AND ADDRESS OF PURCHASER | SERIES OF NOTES | PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED |
|--|--------------------|---|
| SUN LIFE ASSURANCE COMPANY OF CANADA (U.S.) | 2012D-1 | \$3,000,000 |
| Attn: Investments/Private Fixed Income/SC1303 | 2012D-2 | \$4,000,000 |
| One Sun Life Executive Park | | |
| Wellesley Hills, MA 02481 | | |

Payments

All payments on or in respect of the Notes to be by bank wire transfer of Federal or other immediately available funds (identifying each Series **2012D-1** payment as “Southwest Power Pool, Inc., 3.00% Series 2012D-1 Senior Notes, due March 30, 2024, PPN, principal, premium or interest”) and (identifying each Series **2012D-2** payment as “Southwest Power Pool, Inc., 3.25% Series 2012D-2 Senior Notes, due September 30, 2024, PPN, principal, premium or interest”) to:

Mellon Bank of New England
 ABA No.: 011001234
 DDA: 125261
 Attention: MBS Income CC1253
 Account Name: Sun Life (U.S.)
 Account No.: KEYF1111002
 RE: Southwest Power Pool, Inc.; 3.00% Senior Notes due March 30, 2024, PPN or
 Southwest Power Pool, Inc.; 3.25% Senior Notes due September 30, 2024, PPN

Notices

All notices and correspondence, including notices of non-routine payments, to be addressed as first provided above, **except** written notices with respect to routine payments and any audit confirmation of each such payment, to be addressed:

Sun Life Financial
 Attn: Investments/Private Fixed Income — SC302D26
 227 King Street South
 Waterloo, ON N2J 4C5 Canada

Physical Delivery of Notes

Sun Capital Advisers LLC
 SC1303
 One Sun Life Executive Park
 Wellesley Hills, MA 02481-5699
 Attn: Linda R. Guillette
 Phone: (781) 446-1704

Name of Nominee in which Notes are to be issued: None

Taxpayer I.D. Number: 04-2461439

| NAME OF AND ADDRESS OF PURCHASER | SERIES OF NOTES | PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED |
|---|--------------------|---|
| SUN LIFE INSURANCE AND ANNUITY COMPANY OF NEW YORK | 2012D-1 | \$1,000,000 |
| Attn: Investments/Private Fixed Income/SC1303 One Sun Life Executive Park Wellesley Hills, MA 02481 | 2012D-2 | \$1,000,000 |

Payments

All payments on or in respect of the Notes to be by bank wire transfer of Federal or other immediately available funds (identifying each Series **2012D-1** payment as “Southwest Power Pool, Inc., 3.00% Series 2012D-1 Senior Notes, due March 30, 2024, PPN, principal, premium or interest”) and (identifying each Series **2012D-2** payment as “Southwest Power Pool, Inc., 3.25% Series 2012D-2 Senior Notes, due September 30, 2024, PPN, principal, premium or interest”) to:

Mellon Bank of New England
ABA No.: 011001234
DDA: 125261
Attention: MBS Income CC1253
Account Name: Sun Life - New York
Account No.: KBLF2222002
RE: Southwest Power Pool, Inc.; 3.00% Senior Notes due March 30, 2024, PPN or
Southwest Power Pool, Inc.; 3.25% Senior Notes due September 30, 2024, PPN

Notices

All notices and correspondence, including notices of non-routine payments, to be addressed as first provided above, **except** written notices with respect to routine payments and any audit confirmation of each such payment, to be addressed:

Sun Life Financial
Attn: Investments/Private Fixed Income — SC302D26
227 King Street South
Waterloo, ON N2J 4C5 Canada

Physical Delivery of Notes

Sun Capital Advisers LLC
SC1303
One Sun Life Executive Park
Wellesley Hills, MA 02481-5699
Attn: Linda R. Guillette
Phone: (781) 446-1704

Name of Nominee in which Notes are to be issued: None

Taxpayer I.D. Number: 04-2845273

| NAME OF AND ADDRESS OF PURCHASER | SERIES OF NOTES | PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED |
|--|--------------------|---|
| SUN LIFE INSURANCE AND ANNUITY COMPANY OF NEW YORK Attn: Investments/Private Fixed Income/SC1303 One Sun Life Executive Park Wellesley Hills, MA 02481 | 2012D-2 | \$1,000,000 |

Payments

All payments on or in respect of the Notes to be by bank wire transfer of Federal or other immediately available funds (identifying each Series **2012D-2** payment as “Southwest Power Pool, Inc., 3.25% Series 2012D-2 Senior Notes, due September 30, 2024, PPN, principal, premium or interest”) to:

Mellon Bank of New England
ABA No.: 011001234
DDA: 125261
Attention: MBS Income CC1253
Account Name: Sun Life - New York
Account No.: KBLF2221002
RE: Southwest Power Pool, Inc.; 3.25% Senior Notes due September 30, 2024, PPN

Notices

All notices and correspondence, including notices of non-routine payments, to be addressed as first provided above, **except** written notices with respect to routine payments and any audit confirmation of each such payment, to be addressed:

Sun Life Financial
Attn: Investments/Private Fixed Income — SC302D26
227 King Street South
Waterloo, ON N2J 4C5 Canada

Physical Delivery of Notes

Sun Capital Advisers LLC
SC1303
One Sun Life Executive Park
Wellesley Hills, MA 02481-5699
Attn: Linda R. Guillette
Phone: (781) 446-1704

Name of Nominee in which Notes are to be issued: None

Taxpayer I.D. Number: 04-2845273

| NAME OF AND ADDRESS OF PURCHASER | SERIES OF NOTES | PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED |
|--|--------------------|---|
| MODERN WOODMEN OF AMERICA 1701 First Avenue Rock Island, Illinois 61201 Attention: Investment Department Email: investments@modern-woodmen.org Fax: (309) 793-5574 | 2021D-1 | \$15,000,000 |

Payments

All payments on or in respect of the Notes to be by bank wire transfer of Federal or other immediately available funds (identifying each payment as “Southwest Power Pool, Inc., 3.00% Series 2012D-1 Senior Notes, due March 30, 2024, PPN _____, principal, premium or interest”) to:

The Northern Trust Company
50 South LaSalle Street
Chicago, Illinois 60675
ABA #071-000-152
Account Name: Modern Woodmen of America
Account Number 84352

Each such wire transfer shall set forth the name of the Company, the full title (including the applicable coupon rate and final maturity date) of the Notes, a reference to the PPN and the due date and application (as among principal, premium and interest) of the payment being made.

Notices

All notices and communications to be addressed as first provided above, except notices with respect to payments and written confirmation of each such payment, to be addressed:

Modern Woodmen of America
1701 First Avenue
Rock Island, Illinois 61201
Attention: Investment Accounting Department
Fax: (309) 793-5688

Physical Delivery of Notes

Send physical security by via overnight delivery service to the address first provided above except to the attention of Aaron Birkland, (309) 793-5659.

Name of Nominee in which Notes are to be issued: None
Taxpayer I.D. Number: 36-1493430

| NAME OF AND ADDRESS OF PURCHASER | SERIES OF NOTES | PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED |
|--|--------------------|---|
| COUNTRY LIFE INSURANCE COMPANY | 2012D-1 | \$2,000,000 |
| Attention: Investments | 2012D-2 | \$3,000,000 |
| 1705 N Towanda Avenue | | |
| Bloomington, Illinois 61702 | | |
| Telephone: (309) 821-6260 | | |
| Fax: (309) 821-6301 | | |
| PrivatePlacements@countryfinancial.com | | |

Payments

All payments on or in respect of the Notes to be by bank wire transfer of Federal or other immediately available funds to:

Northern Trust Chgo/Trust
ABA #071000152
Wire Account Number 5186041000
For Further Credit to: **26-02712**
Account Name: **Country Life Insurance Company**
Representing P & I on (list security) [BANK]

Accompanying Information:

For the Series **2012D-1** payment: Southwest Power Pool, Inc., 3.00% Series 2012D-1 Senior Notes, PPN _____, due March 30, 2024, and application (as among principal, premium and interest) of the payment being made.

For the Series **2012D-2** payment: Southwest Power Pool, Inc., 3.25% Series 2012D-2 Senior Notes, PPN _____, due September 30, 2024, and application (as among principal, premium and interest) of the payment being made.

Notices

All notices and communications to be addressed as first provided above, except notices with respect to payments and written confirmation of each such payment, to be addressed:

Country Life Insurance Company
Attention: Investment Accounting
1705 N Towanda Avenue
Bloomington, Illinois 61702
Telephone: (309) 821-6348
Fax: (309) 821-2800

Physical Delivery

The Northern Trust Company
Trade Securities Processing
C1N
801 South Canal Street
Chicago, IL 60607
Reference: Account: 26-02712/Country Life Insurance Company

Name of Nominee in which Notes are to be issued: None

Taxpayer I.D. Number: 37-0808781

| NAME OF AND ADDRESS OF PURCHASER | SERIES OF NOTES | PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED |
|--|--------------------|---|
| COTTON STATES LIFE INSURANCE COMPANY c/o Investments 1705 N Towanda Avenue Bloomington, Illinois 61702 Telephone: (309) 821-6260 Fax: (309) 821-6301 PrivatePlacements@countryfinancial.com | 2012D-1 | \$1,000,000 |

Payments

All payments on or in respect of the Notes to be by bank wire transfer of Federal or other immediately available funds to:

SUNTRUST BANKS
ABA Number 061000104 SunTrust Bank
Wire Account Number 9088003142
Account Name: **Income Collections**
For Further Credit to: Cotton States **1129997**
Representing P & I on (list security) [BANK]

Accompanying Information: Southwest Power Pool, Inc., 3.00% Series 2012D-1 Senior Notes, PPN _____, due March 30, 2024, and application (as among principal, premium and interest) of the payment being made.

Notices

All notices and communications to be addressed as first provided above, except notices with respect to payments and written confirmation of each such payment, to be addressed:

Cotton States Life Insurance Company
c/o Investment Accounting
1705 N Towanda Avenue
Bloomington, Illinois 61702
Telephone: (309) 821-6348
Fax: (309) 821-2800

Physical Delivery

SunTrust Bank
Free Securities Movement & Control
Mail Code GA-Atl-3132
303 Peachtree Street NE, Suite 1520
Atlanta, GA 30308
Reference Acct: 1129997

Name of Nominee in which Notes are to be issued: None

Taxpayer I.D. Number: 58-0830929

| NAME OF AND ADDRESS OF PURCHASER | SERIES OF NOTES | PRINCIPAL AMOUNT OF NOTES TO BE PURCHASED |
|---|--------------------|---|
| COUNTRY MUTUAL INSURANCE COMPANY Attention: Investments 1705 N Towanda Avenue Bloomington, Illinois 61702 Telephone: (309) 821-6260 Fax: (309) 821-6301 PrivatePlacements@countryfinancial.com | 2012D-2 | \$1,000,000 |

Payments

All payments on or in respect of the Notes to be by bank wire transfer of Federal or other immediately available funds to:

Northern Trust Chgo/Trust
ABA #071000152
Wire Account Number 5186041000
For Further Credit to: **26-02698**
Account Name: **Country Mutual Insurance Company**
Representing P & I on (list security) [BANK]

Accompanying Information: Southwest Power Pool, Inc., 3.25% Series 2012D-2 Senior Notes, PPN _____, due September 30, 2024, and application (as among principal, premium and interest) of the payment being made.

Notices

All notices and communications to be addressed as first provided above, except notices with respect to payments and written confirmation of each such payment, to be addressed:

Country Mutual Insurance Company
Attention: Investment Accounting
1705 N Towanda Avenue
Bloomington, Illinois 61702
Telephone: (309) 821-6348
Fax: (309) 821-2800

Physical Delivery

The Northern Trust Company
Trade Securities Processing
C1N
801 South Canal Street
Chicago, IL 60607
Reference: Account: 26-02698/Country Mutual Insurance Company

Name of Nominee in which Notes are to be issued: None

Taxpayer I.D. Number: 37-0807507

SUPPLEMENTAL REPRESENTATIONS

The Company represents and warrants to each Purchaser that except as hereinafter set forth in this Exhibit A, each of the representations and warranties set forth in Section 5 of the Note Purchase Agreement is true and correct in all material respects as of the date hereof with respect to the Series 2012D Notes with the same force and effect as if each reference to “Series 2010 Notes” set forth therein was modified to refer the “Series 2012D Notes” and each reference to “this Agreement” therein was modified to refer to the Note Purchase Agreement as supplemented by the First Supplement. The Section references hereinafter set forth correspond to the similar sections of the Note Purchase Agreement which are supplemented hereby:

Section 5.3. Disclosure. The Company, through its agent, Merrill Lynch, Pierce, Fenner & Smith Incorporated has delivered to each Purchaser a copy of a Private Placement Memorandum, dated April 2012 (the “*Memorandum*”), relating to the transactions contemplated by the First Supplement. The Memorandum fairly describes, in all material respects, the general nature of the business and principal properties of the Company and its Subsidiaries. The Note Purchase Agreement, the Memorandum, the documents, certificates or other writings delivered to each Purchaser by or on behalf of the Company in connection with the transactions contemplated by the Note Purchase Agreement and the First Supplement and the financial statements listed in Schedule 5.5 to the First Supplement (collectively, the “*Disclosure Documents*”), taken as a whole, do not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading in light of the circumstances under which they were made. Since December 31, 2011, there has been no change in the financial condition, operations, business, properties or prospects of the Company or any Subsidiary except changes that individually or in the aggregate would not reasonably be expected to have a Material Adverse Effect. There is no fact known to the Company that would reasonably be expected to have a Material Adverse Effect that has not been set forth herein or in the Memorandum or in the other documents, certificates and other writings delivered to each Purchaser by or on behalf of the Company specifically for use in connection with the transactions contemplated hereby.

Section 5.4. Organization and Ownership of Shares of Subsidiaries. (a) Schedule 5.4 to the First Supplement contains (except as noted therein) complete and correct lists of (i) the Company’s Subsidiaries, and showing, as to each Subsidiary, the correct name thereof, the jurisdiction of its organization, and the percentage of shares of each class of its capital stock or similar equity interests outstanding owned by the Company and each other Subsidiary, and all other Investments of the Company and its Subsidiaries, (ii) the Company’s Affiliates, other than Subsidiaries, and (iii) the Company’s directors and senior officers.

Section 5.5. Financial Statements; Material Liabilities. The Company has delivered to each Purchaser copies of the financial statements of the Company and its Subsidiaries listed on Schedule 5.5 to the First Supplement. All of said financial statements (including in each case the related schedules and notes) fairly present in all material respects the consolidated financial position of the Company and its Subsidiaries as of the respective dates specified in such Schedule and the consolidated results of their operations and cash flows for the respective periods so specified and have been prepared in accordance with GAAP consistently applied

throughout periods involved except as set forth in the notes thereto (subject, in the case of any interim financial statements, to normal year-end adjustments). The Company and its Subsidiaries do not have any Material liabilities that are not disclosed on such financial statements or otherwise disclosed in the Disclosure Documents.

Section 5.7. Governmental Authorizations, Etc. All Required Governmental Approvals have been obtained by the Company and are in full force and effect. Other than the Required Governmental Approvals, no consent, approval or authorization of, or registration, filing or declaration with, any Governmental Authority is required in connection with the execution, delivery or performance by the Company of the First Supplement or the Series 2012D Notes. As used herein, “*Required Governmental Approval*” means (a) that certain Application of Southwest Power Pool, Inc. under Section 204 of the Federal Power Act for an Order Authorizing the Issuance of Securities, Docket No. ES12-20-000 dated February 2, 2012, (b) that certain Application for Authority to Issue Indebtedness and Request for an Expedited Order, Docket No. 12-009-U, by the Company to the Arkansas Public Service Commission, dated February 3, 2012, (c) that certain Letter Order from the Federal Energy Regulatory Commission, Division of Electric Power Regulation-West to the Company dated April 2, 2012, and (d) that certain Order of the Arkansas Public Service Commission, Docket No. 12-009-U, Order No. 2, dated April 12, 2012.

Section 5.12. Compliance with ERISA. (a) The Company and each ERISA Affiliate have operated and administered each Plan in compliance with all applicable laws except for such instances of noncompliance as have not resulted in and could not reasonably be expected to result in a Material Adverse Effect. Neither the Company nor any ERISA Affiliate has incurred any liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans (as defined in section 3 of ERISA), and no event, transaction or condition has occurred or exists that could reasonably be expected to result in the incurrence of any such liability by the Company or any ERISA Affiliate, or in the imposition of any Lien on any of the rights, properties or assets of the Company or any ERISA Affiliate, in either case pursuant to Title I or IV of ERISA or to section 430(k) of the Code or to any such penalty or excise tax provisions under the Code or Federal law or section 4068 of ERISA or by the granting of a security interest in connection with the amendment of a Plan, other than such liabilities or Liens as could not be individually or in the aggregate Material.

Section 5.13. Private Offering by the Company. Neither the Company nor anyone acting on its behalf has offered the Series 2012D Notes or any similar securities for sale to, or solicited any offer to buy any of the same from, or otherwise approached or negotiated in respect thereof with, any Person other than the Purchasers and not more than 45 other Institutional Investors, each of which has been offered the Series 2012D Notes at a private sale for investment. Neither the Company nor anyone acting on its behalf has taken, or will take, any action that would subject the issuance or sale of the Series 2012D Notes to the registration requirements of Section 5 of the Securities Act or to the registration requirements of any securities or blue sky laws of any applicable jurisdiction.

Section 5.14. Use of Proceeds; Margin Regulations. The Company will apply the proceeds of the sale of the Series 2012D Notes as described in the Required Governmental

Approvals, and in compliance with all laws referenced in Section 5.16. No part of the proceeds from the sale of the Series 2012D Notes pursuant to the First Supplement will be used, directly or indirectly, for the purpose of buying or carrying any margin stock within the meaning of Regulation U of the Board of Governors of the Federal Reserve System (12 CFR 221), or for the purpose of buying or carrying or trading in any securities under such circumstances as to involve the Company in a violation of Regulation X of said Board (12 CFR 224) or to involve any broker or dealer in a violation of Regulation T of said Board (12 CFR 220). The Company does not presently have, and has no present intention to acquire, legal or beneficial ownership of any margin stock. As used in this Section, the terms “*margin stock*” and “*purpose of buying or carrying*” shall have the meanings assigned to them in said Regulation U.

Section 5.15. Existing Debt; Future Liens. (a) Schedule 5.15 to the First Supplement sets forth a complete and correct list of all outstanding Indebtedness of the Company and its Subsidiaries as of May 30, 2012 (including a description of the obligors and obliges, principal amount outstanding and collateral therefor, if any, and Guaranty thereof, if any), since which date there has been no Material change in the amounts, interest rates, sinking funds, installment payments or maturities of the Indebtedness of the Company and its Subsidiaries. Neither the Company nor any Subsidiary is in default, and no waiver of default is currently in effect, in the payment of any principal or interest on any Indebtedness of the Company or any Subsidiary and no event or condition exists with respect to any Indebtedness of the Company or any Subsidiary that would permit (or that with notice or the lapse of time, or both, would permit) one or more Persons to cause such Indebtedness to become due and payable before its stated maturity or before its regularly scheduled dates of payment.

Section 5.16. Foreign Assets Control Regulations, Etc. (a) Neither the Company nor any Controlled Entity is (i) a Person whose name appears on the list of Specially Designated Nationals and Blocked Persons published by the Office of Foreign Assets Control, U.S. Department of Treasury (“OFAC”) or a Person that is otherwise subject to an OFAC Sanctions Program (an “OFAC Listed Person”) or (ii) a department, agency or instrumentality of, or is otherwise controlled by or acting on behalf of, directly or indirectly, (x) any OFAC Listed Person or (y) any Person, entity, organization, foreign country or regime that is subject to any OFAC Sanctions Program (each OFAC Listed Person and each other Person, entity, organization and government of a country described in clause (ii), a “Blocked Person”).

(b) No part of the proceeds from the sale of the Series 2012D Notes constitutes or will constitute funds obtained on behalf of any Blocked Person or will otherwise be used, directly by the Company or indirectly through any Controlled Entity, in connection with any investment in, or any transactions or dealings with, any Blocked Person or for investment in the Iranian energy sector (as defined in Section 201 (1) of CISADA).

(c) To the Company’s knowledge after making due inquiry, neither the Company nor any Controlled Entity (i) is under investigation by any Governmental Authority for, or has been charged with, or convicted of, money laundering, drug trafficking, terrorist-related activities or other money laundering predicate crimes under any applicable law (collectively, “*Anti-Money Laundering Laws*”), (ii) has been assessed civil penalties under any Anti-Money Laundering Laws or (iii) has had any of its funds seized or forfeited in an action under any Anti-Money

Laundering Laws. The Company has taken reasonable measures appropriate to the circumstances (in any event as required by applicable law) to ensure that the Company and each Controlled Entity is and will continue to be in compliance with all applicable current and future Anti-Money Laundering Laws.

(d) No part of the proceeds from the sale of the Series 2012D Notes will be used, directly or indirectly, for any improper payments to any governmental official or employee, political party, official of a political party, candidate for political office, official of any public international organization or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage. The Company has taken reasonable measures appropriate to the circumstances (in any event as required by applicable law) to ensure that the Company and each Controlled Entity is and will continue to be in compliance with all applicable current and future anti-corruption laws and regulations.

(e) As used in this Supplement, the following terms shall have the respective meanings set forth below:

“*CISADA*” means the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010, United States Public Law 111195, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

“*Controlled Entity*” means any of the Subsidiaries of the Company and any of their or the Company’s respective Controlled Affiliates. As used in this definition, “Control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise.

“*OFAC Sanctions Program*” means all laws, regulations, Executive Orders and any economic or trade sanction that OFAC is responsible for administering and enforcing, including, without limitation 31 CFR Subtitle B, Chapter V, as amended, along with any enabling legislation; the Bank Secrecy Act; Trading with the Enemy Act; and any similar laws, regulations or orders adopted by any State within the United States. A list of economic and trade sanctions administered by OFAC may be found at <http://www.ustreas.gov/offices/enforcement/ofac/programs/>.

**SUBSIDIARIES OF THE COMPANY AND
OWNERSHIP OF SUBSIDIARY STOCK**

There are no Subsidiaries of the Company.

FINANCIAL STATEMENTS

1. Accountants' Report and Financial Statements for December 31, 2007 and 2006
2. Accountants' Report and Financial Statements for December 31, 2008 and 2007
3. Accountants' Report and Financial Statements for December 31, 2009 and 2008
4. Accountants' Report and Financial Statements for December 31, 2010 and 2009
5. Accountants' Report and Financial Statements for December 31, 2011 and 2010
6. 2010 Annual Report
7. Unaudited Balance Sheet and Income Statement for the quarter ended September 30, 2011

EXISTING INDEBTEDNESS; FUTURE LIENS

(As of May 30, 2012)

Existing Indebtedness:

| | Outstanding Principal Amount |
|---|------------------------------|
| Senior Unsecured Notes due 2014 | \$14,750,000 |
| Senior Unsecured Notes due 2016 | \$25,500,000 |
| Senior Unsecured Notes due 2024 (Series 2010 C) | \$70,000,000 |
| Senior Secured Notes due 2027 | \$4,060,600 |
| Senior Unsecured Notes due 2042 (Series 2010 A) | \$30,000,000 |
| Senior Unsecured Notes due 2042 (Series 2010 B) | \$35,000,000 |
| Revolving Credit Facility due July 2013 (\$20,000,000 commitment) | \$0 |

Liens:

The Senior Secured Notes due 2027 are secured by a first mortgage on the Company's Maumelle facility.

FORM OF SERIES 2012D-1 NOTE

SOUTHWEST POWER POOL, INC.

3.00% SERIES 2012D-1 SENIOR NOTE DUE MARCH 30, 2024

No. [_____]

[Date]

\$[_____]

PPN [_____]

FOR VALUE RECEIVED, the undersigned, Southwest Power Pool, Inc., an Arkansas not-for-profit corporation (herein called the “*Company*”), hereby promises to pay to [_____], or registered assigns, the principal sum of [_____] DOLLARS (or so much thereof as shall not have been prepaid) on March 30, 2024, with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance hereof at the rate of 3.00% per annum from the date hereof, payable quarterly, on the 30th day of March, June, September and December in each year and at maturity, commencing on September 30, 2012, until the principal hereof shall have become due and payable, and (b) to the extent permitted by law, at a rate per annum from time to time equal to 5.00%, on any overdue payment of interest and, during the continuance of an Event of Default, on the unpaid balance hereof and on any overdue payment of any Make-Whole Amount, payable quarterly as aforesaid (or, at the option of the registered holder hereof, on demand).

Payments of principal of, interest on and any Make-Whole Amount with respect to this Note are to be made in lawful money of the United States of America at Bank of America, N.A., in New York, New York, or at such other place as the Company shall have designated by written notice to the holder of this Note as provided in the Note Purchase Agreement referred to below.

This Note is one of a series of Senior Notes (the “*Notes*”) issued pursuant to the Note Purchase Agreement dated as of October 28, 2010, as supplemented by the First Supplement to Note Purchase Agreement dated as of May 30, 2012 (as from time to time amended, supplemented or modified, the “*Note Purchase Agreement*”), between the Company and the respective Purchasers and Additional Purchasers named therein. This Note and the holder hereof are entitled equally and ratably with the holders of all other Notes of all series from time to time outstanding under the Note Purchase Agreement to all the benefits provided for thereby or referred to therein. Each holder of this Note will be deemed, by its acceptance hereof, to have (i) agreed to the confidentiality provisions set forth in Section 20 of the Note Purchase Agreement and (ii) made the representations set forth in Sections 6.1 and 6.2 of the Note Purchase Agreement, *provided* that, in lieu thereof, such holder may (in reliance upon information provided by the Company, which shall not be unreasonably withheld) make a representation to the effect that the purchase by such holder of any Note will not constitute a non-exempt prohibited transaction under Section 406(a) of ERISA. Unless otherwise indicated, capitalized terms used in this Note shall have the respective meanings ascribed to such terms in the Note Purchase Agreement.

EXHIBIT 1(a)
(to First Supplement)

This Note is registered with the Company and, as provided in the Note Purchase Agreement, upon surrender of this Note for registration of transfer, duly endorsed, or accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new Note for a like principal amount will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, the Company may treat the Person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Company will not be affected by any notice to the contrary.

The Company will make required prepayments of principal on the dates and in the amounts specified in the Note Purchase Agreement. This Note is also subject to optional prepayment, in whole or from time to time in part, at the times and on the terms specified in the Note Purchase Agreement, but not otherwise.

If an Event of Default, as defined in the Note Purchase Agreement, occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price (including any applicable Make-Whole Amount) and with the effect provided in the Note Purchase Agreement.

This Note shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the State of New York excluding choice-of-law principles of the law of such State that would require the application of the laws of a jurisdiction other than such State.

SOUTHWEST POWER POOL, INC.

By _____
Name: _____
Title: _____

FORM OF SERIES 2012D-2 NOTE

SOUTHWEST POWER POOL, INC.

3.25% SERIES 2012D-2 SENIOR NOTE DUE SEPTEMBER 30, 2024

No. [_____]

[Date]

\$[_____]

PPN [_____]

FOR VALUE RECEIVED, the undersigned, Southwest Power Pool, Inc., an Arkansas not-for-profit corporation (herein called the “*Company*”), hereby promises to pay to [_____], or registered assigns, the principal sum of [_____] DOLLARS (or so much thereof as shall not have been prepaid) on September 30, 2024, with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance hereof at the rate of 3.25% per annum from the date hereof, payable quarterly, on the 30th day of March, June, September and December in each year and at maturity, commencing March 30, 2013, until the principal hereof shall have become due and payable, and (b) to the extent permitted by law, at a rate per annum from time to time equal to 5.25%, on any overdue payment of interest and, during the continuance of an Event of Default, on the unpaid balance hereof and on any overdue payment of any Make-Whole Amount, payable quarterly as aforesaid (or, at the option of the registered holder hereof, on demand).

Payments of principal of, interest on and any Make-Whole Amount with respect to this Note are to be made in lawful money of the United States of America at Bank of America, N.A., in New York, New York, or at such other place as the Company shall have designated by written notice to the holder of this Note as provided in the Note Purchase Agreement referred to below.

This Note is one of a series of Senior Notes (the “*Notes*”) issued pursuant to the Note Purchase Agreement dated as of October 28, 2010, as supplemented by the First Supplement to Note Purchase Agreement dated as of May 30, 2012 (as from time to time amended, supplemented or modified, the “*Note Purchase Agreement*”), between the Company and the respective Purchasers and Additional Purchasers named therein. This Note and the holder hereof are entitled equally and ratably with the holders of all other Notes of all series from time to time outstanding under the Note Purchase Agreement to all the benefits provided for thereby or referred to therein. Each holder of this Note will be deemed, by its acceptance hereof, to have (i) agreed to the confidentiality provisions set forth in Section 20 of the Note Purchase Agreement and (ii) made the representations set forth in Sections 6.1 and 6.2 of the Note Purchase Agreement, *provided* that, in lieu thereof, such holder may (in reliance upon information provided by the Company, which shall not be unreasonably withheld) make a representation to the effect that the purchase by such holder of any Note will not constitute a non-exempt prohibited transaction under Section 406(a) of ERISA. Unless otherwise indicated, capitalized terms used in this Note shall have the respective meanings ascribed to such terms in the Note Purchase Agreement.

EXHIBIT 1(b)
(to First Supplement)

This Note is registered with the Company and, as provided in the Note Purchase Agreement, upon surrender of this Note for registration of transfer, duly endorsed, or accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new Note for a like principal amount will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, the Company may treat the Person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Company will not be affected by any notice to the contrary.

The Company will make required prepayments of principal on the dates and in the amounts specified in the Note Purchase Agreement. This Note is also subject to optional prepayment, in whole or from time to time in part, at the times and on the terms specified in the Note Purchase Agreement, but not otherwise.

If an Event of Default, as defined in the Note Purchase Agreement, occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price (including any applicable Make-Whole Amount) and with the effect provided in the Note Purchase Agreement.

This Note shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the State of New York excluding choice-of-law principles of the law of such State that would require the application of the laws of a jurisdiction other than such State.

SOUTHWEST POWER POOL, INC.

By _____
Name: _____
Title: _____

SOUTHWEST POWER POOL, INC.

\$30,000,000 4.82% Series 2010-A Senior Notes
due December 30, 2042

\$35,000,000 4.82% Series 2010-B Senior Notes
due December 30, 2042

\$70,000,000 3.55% Series 2010-C Senior Notes
due March 30, 2024

NOTE PURCHASE AGREEMENT

DATED AS OF OCTOBER 28, 2010

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SOUTHWEST POWER POOL, INC.
415 NORTH MCKINLEY, SUITE 700 PLAZA WEST
LITTLE ROCK, ARKANSAS 72205-3020

\$30,000,000 4.82% Series 2010-A Senior Notes
due December 30, 2042

\$35,000,000 4.82% Series 2010-B Senior Notes
due December 30, 2042

\$70,000,000 3.55% Series 2010-C Senior Notes
due March 30, 2024

Dated as of
October 28, 2010

TO THE PURCHASERS LISTED IN
THE ATTACHED SCHEDULE A:

Ladies and Gentlemen:

SOUTHWEST POWER POOL, INC., an Arkansas not-for-profit corporation (the “*Company*”), agrees with the Purchasers listed in the attached Schedule A (each a “*Purchaser*” and collectively, the “*Purchasers*”) to this Note Purchase Agreement (this “*Agreement*”) as follows:

SECTION 1. AUTHORIZATION OF NOTES.

Section 1.1. Description of Notes. The Company will authorize the issuance and sale of the following Senior Notes:

| Issue | Series and/or Tranche | Aggregate Principal Amount | Interest Rate | Maturity Date |
|--------------|-----------------------|----------------------------|---------------|-------------------|
| Senior Notes | Series 2010-A | \$30,000,000 | 4.82% | December 30, 2042 |
| Senior Notes | Series 2010-B | \$35,000,000 | 4.82% | December 30, 2042 |
| Senior Notes | Series 2010-C | \$70,000,000 | 3.55% | March 30, 2024 |

The Senior Notes described above together with any series of Additional Notes which may from time to time be issued pursuant to the provisions of Section 2.2 are collectively referred to as the “Notes” (such term shall also include any such notes issued in substitution therefor pursuant to Section 13 of this Agreement). The \$30,000,000 4.82% Series 2010-A Senior Notes, due December 30, 2042 (the “*Series 2010A Notes*”), \$35,000,000 4.82% Series 2010-B Senior Notes, due December 30, 2042 (the “*Series 2010B Notes*”), and the \$70,000,000 3.55% Series 2010-C Senior Notes, due March 30, 2024 (the “*Series 2010C Notes*” and, together with the *Series 2010A Notes* and the *Series 2010B Notes*, the “*Series 2010 Notes*”) shall be substantially in the form set out in Exhibit 1, Exhibit 2 and Exhibit 3, respectively, with such changes therefrom, if any, as may be approved by the Purchasers and the Company. Certain capitalized terms used in this Agreement are defined in Schedule B; references to a “Schedule” or an “Exhibit” are, unless otherwise specified, to a Schedule or an Exhibit attached to this Agreement.

Section 1.2. Interest Rate. The Series 2010 Notes shall bear interest (computed on the basis of a 360-day year of twelve 30-day months) on the unpaid principal thereof from the date of issuance at their respective stated rate of interest payable quarterly in arrears on the 30th day of March, June, September and December in each year and at maturity commencing on (i) March 30, 2011, with respect to the Series 2010A Notes and Series 2010B Notes and (ii) June 30, 2011 with respect to the Series 2010C Notes, until such principal sum shall have become due and payable (whether at maturity, upon notice of prepayment or otherwise) and interest (so computed) on any overdue principal, interest or Make-Whole Amount from the due date thereof (whether by acceleration or otherwise) and, during the continuance of an Event of Default, on the unpaid balance hereof, at the applicable Default Rate until paid.

SECTION 2. SALE AND PURCHASE OF NOTES.

Section 2.1. Series 2010 Notes. Subject to the terms and conditions of this Agreement, the Company will issue and sell to each Purchaser and each Purchaser will purchase from the Company, at the applicable Closing provided for in Section 3, the Series 2010 Notes in the principal amount and of the series specified opposite such Purchaser’s name in Schedule A at the purchase price of 100% of the principal amount thereof. The obligations of each Purchaser hereunder are several and not joint obligations and each Purchaser shall have no obligation and no liability to any Person for the performance or nonperformance by any other Purchaser hereunder.

Section 2.2. Additional Series of Notes. The Company may, from time to time, in its sole discretion but subject to the terms hereof, issue and sell one or more additional series of its unsecured promissory notes under the provisions of this Agreement pursuant to a supplement (a “*Supplement*”) substantially in the form of Exhibit S, *provided* that the aggregate principal amount of Notes of all series issued pursuant to all Supplements in accordance with the terms of this Section 2.2 shall not exceed \$400,000,000. Each additional series of Notes (the “*Additional Notes*”) issued pursuant to a Supplement shall be subject to the following terms and conditions:

- (i) each series of Additional Notes, when so issued, shall be differentiated from all previous series by sequential alphabetical designation inscribed thereon;

(ii) Additional Notes of the same series may consist of more than one different and separate tranches and may differ with respect to outstanding principal amounts, maturity dates, interest rates and premiums, if any, and price and terms of redemption or payment prior to maturity, but all such different and separate tranches of the same series shall vote as a single class and constitute one series;

(iii) each series of Additional Notes shall be dated the date of issue, bear interest at such rate or rates, mature on such date or dates, be subject to such mandatory and optional prepayment on the dates and at the premiums, if any, have such additional or different conditions precedent to closing, such representations and warranties and such additional covenants as shall be specified in the Supplement under which such Additional Notes are issued and upon execution of any such Supplement, this Agreement shall be amended (a) to reflect such additional covenants without further action on the part of the holders of the Notes outstanding under this Agreement, *provided*, that any such additional covenants shall inure to the benefit of all holders of Notes so long as any Additional Notes issued pursuant to such Supplement remain outstanding, and (b) to reflect such representations and warranties as are contained in such Supplement for the benefit of the holders of such Additional Notes in accordance with the provisions of Section 16;

(iv) each series of Additional Notes issued under this Agreement shall be in substantially the form of Exhibit 1 to Exhibit S hereto with such variations, omissions and insertions as are necessary or permitted hereunder;

(v) the minimum principal amount of any Additional Note issued under a Supplement shall be \$100,000, except as may be necessary to evidence the outstanding amount of any Note originally issued in a denomination of \$100,000 or more;

(vi) all Additional Notes shall constitute unsecured Senior Funded Debt of the Company and shall rank *pari passu* with all other outstanding unsecured Senior Funded Debt; and

(vii) no Additional Notes shall be issued hereunder if at the time of issuance thereof and after giving effect to the application of the proceeds thereof, any Default or Event of Default shall have occurred and be continuing.

The obligations of the purchasers of Additional Notes (the “*Additional Purchasers*”) to purchase any Additional Notes shall be subject to the following conditions precedent, in addition to the conditions specified in the Supplement pursuant to which such Additional Notes may be issued:

(a) *Compliance Certificate.* A duly authorized Senior Financial Officer of the Company shall execute and deliver to each Additional Purchaser and each holder of Notes then outstanding, an Officer’s Certificate dated the date of issue of such series of Additional Notes stating that such officer has reviewed the provisions of this Agreement (including any Supplements hereto) and setting forth the information and computations (in sufficient detail) required in order to establish whether after giving effect to the issuance of the Additional Notes and after giving effect to the application of the proceeds

thereof, the Company is in compliance with the requirements of Section 10.1 on such date (based upon the financial statements for the most recent fiscal quarter ended prior to the date of such certificate).

(b) *Execution and Delivery of Supplement.* The Company and each such Additional Purchaser shall execute and deliver a Supplement substantially in the form of Exhibit S hereto.

(c) *Representations of Additional Purchasers.* Each Additional Purchaser shall have confirmed in the Supplement that the representations set forth in Section 6 are true with respect to such Additional Purchaser on and as of the date of issue of the Additional Notes.

SECTION 3. CLOSINGS.

The execution and delivery of the Note Purchase Agreement shall occur at the offices of Chapman and Cutler LLP, 111 West Monroe Street, Chicago, Illinois 60603 on October 28, 2010 (the "*Execution Date*"). The sale and purchase of the Series 2010 Notes to be purchased by each Purchaser as reflected on Schedule A hereto shall occur at the offices of Chapman and Cutler LLP, 111 West Monroe Street, Chicago, Illinois 60603 at 10:00 a.m. Central time, at three separate closings (each a "*Closing*"): (a) the Closing for the Series 2010A Notes shall occur on October 28, 2010 or on such other Business Day thereafter on or prior to November 4, 2010 as may be agreed upon by the Company and the Purchasers of the Series 2010A Notes; (b) the Closing for the Series 2010B Notes shall occur on December 29, 2010 or on such other Business Day thereafter on or prior to January 5, 2011 as may be agreed upon by the Company and the Purchasers of the Series 2010B Notes; and (c) the Closing for the Series 2010C Notes shall occur on March 31, 2011 or on such other Business Day thereafter on or prior to April 7, 2011 as may be agreed upon by the Company and the Purchasers of the Series 2010C Notes. At each Closing, the Company will deliver to each Purchaser of such Series 2010 Notes to be purchased by such Purchaser on such Closing Date as reflected in Schedule A hereto in the form of a single Series 2010 Note of the applicable series (or such greater number of Series 2010 Notes in denominations of at least \$100,000 as such Purchaser may request) dated the date of such Closing and registered in such Purchaser's name (or in the name of such Purchaser's nominee), against delivery by such Purchaser to the Company or its order of immediately available funds in the amount of the purchase price therefor by wire transfer of immediately available funds for the account of the Company to Account Number 4331415002, at US Bank, NA, Little Rock, Arkansas, ABA Number 082000549, in the Account Name of "Southwest Power Pool, Inc." If, at any Closing, the Company shall fail to tender such Series 2010 Notes to any Purchaser as provided above in this Section 3, or any of the conditions specified in Section 4 shall not have been fulfilled to any Purchaser's satisfaction, such Purchaser shall, at such Purchaser's election, be relieved of all further obligations under this Agreement, without thereby waiving any rights such Purchaser may have by reason of such failure or such nonfulfillment.

SECTION 4. CONDITIONS TO EACH CLOSING.

Each Purchaser's obligation to execute and deliver this Agreement and to purchase and pay for the Series 2010 Notes to be sold to such Purchaser at the applicable Closing is subject to the fulfillment to such Purchaser's satisfaction at such Closing, of the following conditions:

Section 4.1. Representations and Warranties. The representations and warranties of the Company in this Agreement shall be correct when made and at the time of such Closing.

Section 4.2. Performance; No Default. The Company shall have performed and complied with all agreements and conditions contained in this Agreement required to be performed or complied with by the Company prior to or at such Closing, and after giving effect to the issue and sale of the applicable Series 2010 Notes (and the application of the proceeds thereof as contemplated by Section 5.14), no Default or Event of Default shall have occurred and be continuing. Neither the Company nor any Subsidiary shall have entered into any transaction since the date of the Memorandum that would have been prohibited by Section 10 hereof had such Sections applied since such date.

Section 4.3. Compliance Certificates.

(a) *Officer's Certificate.* The Company shall have delivered to such Purchaser an Officer's Certificate, dated the date of such Closing, certifying that the conditions specified in Sections 4.1, 4.2 and 4.9 have been fulfilled.

(b) *Secretary's Certificate.* The Company shall have delivered to such Purchaser a certificate of its Secretary or Assistant Secretary, dated the date of such Closing, certifying as to the resolutions attached thereto and other corporate proceedings relating to the authorization, execution and delivery of the Series 2010 Notes and this Agreement.

Section 4.4. Opinions of Counsel Such Purchaser shall have received opinions in form and substance satisfactory to such Purchaser, dated the date of such Closing (a) from (i) Mitchell, Williams, Selig, Gates & Woodyard, P.L.L.C., counsel for the Company, covering the matters set forth in Exhibit 4.4(a)(i) and covering such other matters incident to the transactions contemplated hereby as such Purchaser or its counsel may reasonably request (and the Company hereby instructs its counsel to deliver such opinion to the Purchasers) and (ii) Stacy L. Duckett, general counsel for the Company, covering the matters set forth in Exhibit 4.4(a)(ii) and covering such other matters incident to the transactions contemplated hereby as such Purchaser or its counsel may reasonably request, and (b) from Chapman and Cutler LLP, the Purchasers' special counsel in connection with such transactions, substantially in the form set forth in Exhibit 4.4(b) and covering such other matters incident to such transactions as such Purchaser may reasonably request.

Section 4.5. Purchase Permitted By Applicable Law, Etc. On the date of such Closing such Purchaser's purchase of the applicable Series 2010 Notes shall (a) be permitted by the laws and regulations of each jurisdiction to which such Purchaser is subject, without recourse to provisions (such as section 1405(a)(8) of the New York Insurance Law) permitting limited investments by insurance companies without restriction as to the character of the particular

investment, (b) not violate any applicable law or regulation (including, without limitation, Regulation T, U or X of the Board of Governors of the Federal Reserve System) and (c) not subject such Purchaser to any tax, penalty or liability under or pursuant to any applicable law or regulation, which law or regulation was not in effect on the date hereof. If requested by such Purchaser, such Purchaser shall have received an Officer's Certificate certifying as to such matters of fact as such Purchaser may reasonably specify to enable such Purchaser to determine whether such purchase is so permitted.

Section 4.6. Sale of Other Notes. Contemporaneously with such Closing the Company shall sell to each other Purchaser and each other Purchaser shall purchase the portion of the applicable Series 2010 Notes to be purchased by it at such Closing as specified in Schedule A.

Section 4.7. Payment of Special Counsel Fees. Without limiting the provisions of Section 15.1, the Company shall have paid at or before such Closing, the fees, charges and disbursements of the Purchasers' special counsel referred to in Section 4.4 to the extent reflected in a statement of such counsel rendered to the Company at least one Business Day prior to such Closing.

Section 4.8. Private Placement Number. A Private Placement Number issued by Standard & Poor's CUSIP Service Bureau (in cooperation with the Securities Valuation Office of the NAIC) shall have been obtained for the applicable series of the Series 2010 Notes.

Section 4.9. Changes in Corporate Structure The Company shall not have changed its jurisdiction of incorporation, or been a party to any merger or consolidation or succeeded to all or any substantial part of the liabilities of any other entity, at any time following the date of the most recent financial statements referred to in Section 5.3.

Section 4.10. Funding Instructions. At least three Business Days prior to the date of such Closing, each Purchaser shall have received written instructions signed by a Responsible Officer on letterhead of the Company confirming the information specified in Section 3 including (i) the name and address of the transferee bank, (ii) such transferee bank's ABA number and (iii) the account name and number into which the purchase price for the applicable Series 2010 Notes is to be deposited.

Section 4.11. Proceedings and Documents. All corporate and other proceedings in connection with the transactions contemplated by this Agreement and all documents and instruments incident to such transactions shall be satisfactory to such Purchaser and its special counsel, and such Purchaser and its special counsel shall have received all such counterpart originals or certified or other copies of such documents as such Purchaser or such special counsel may reasonably request.

SECTION 5. REPRESENTATIONS AND WARRANTIES OF THE COMPANY.

The Company represents and warrants to each Purchaser that:

Section 5.1. Organization; Power and Authority. The Company is duly organized, validly existing and in good standing as a mutual benefit not-for-profit corporation under the

laws of the State of Arkansas, and is duly qualified as a foreign corporation and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The Company has the corporate power and authority to own or hold under lease the properties it purports to own or hold under lease, to transact the business it transacts and proposes to transact, to execute and deliver this Agreement and the Series 2010 Notes and to perform the provisions hereof and thereof.

Section 5.2. Authorization, Etc. This Agreement and the issuance of the Series 2010 Notes have been duly authorized by all necessary corporate action on the part of the Company, and this Agreement constitutes, and upon execution and delivery thereof each such Series 2010 Note will constitute, a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except as such enforceability may be limited by (i) applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and (ii) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Section 5.3. Disclosure. The Company, through its agent, Banc of America Securities LLC, has delivered to you and each Other Purchaser a copy of a Private Placement Memorandum, dated September, 2010 (the "*Memorandum*"), relating to the transactions contemplated hereby. The Memorandum fairly describes, in all material respects, the general nature of the business and principal properties of the Company and its Subsidiaries. This Agreement, the Memorandum, any documents, certificates or other writings delivered to the Purchasers by or on behalf of the Company in connection with the transactions contemplated hereby and the financial statements listed in Schedule 5.5, in each case, delivered to the Purchasers prior to September 22, 2010 (this Agreement, the Memorandum and such documents, certificates or other writings and such financial statements being referred to, collectively, as the "*Disclosure Documents*"), taken as a whole, do not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading in light of the circumstances under which they were made. Except as disclosed in the Disclosure Documents, since December 31, 2009, there has been no change in the financial condition, operations, business, properties or prospects of the Company or any of its Subsidiaries except changes that individually or in the aggregate could not reasonably be expected to have a Material Adverse Effect. There is no fact known to the Company that could reasonably be expected to have a Material Adverse Effect that has not been set forth herein or in the Disclosure Documents.

Section 5.4. Organization and Ownership of Shares of Subsidiaries; Affiliates. (a) Schedule 5.4 contains (except as noted therein) complete and correct lists (i) of the Company's Subsidiaries, showing, as to each Subsidiary, the correct name thereof, the jurisdiction of its organization, and the percentage of shares of each class of its capital stock or similar equity interests outstanding owned by the Company and each other Subsidiary, and all other Investments of the Company and its Subsidiaries, (ii) of the Company's Affiliates, other than Subsidiaries, and (iii) of the Company's directors and senior officers.

(b) All of the outstanding shares of capital stock or similar equity interests of each Subsidiary shown in Schedule 5.4 as being owned by the Company and its Subsidiaries have been validly issued, are fully paid and nonassessable and are owned by the Company or another Subsidiary free and clear of any Lien (except as otherwise disclosed in Schedule 5.4).

(c) Each Subsidiary identified in Schedule 5.4 is a corporation or other legal entity duly organized, validly existing and in good standing under the laws of its jurisdiction of organization, and is duly qualified as a foreign corporation or other legal entity and is in good standing in each jurisdiction in which such qualification is required by law, other than those jurisdictions as to which the failure to be so qualified or in good standing could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Each such Subsidiary has the corporate or other power and authority to own or hold under lease the properties it purports to own or hold under lease and to transact the business it transacts and proposes to transact.

(d) No Subsidiary is a party to, or otherwise subject to, any legal restriction or any agreement (other than this Agreement, the agreements listed on Schedule 5.4 and customary limitations imposed by corporate law statutes) restricting the ability of such Subsidiary to pay dividends out of profits or make any other similar distributions of profits to the Company or any of its Subsidiaries that owns outstanding shares of capital stock or similar equity interests of such Subsidiary.

Section 5.5. Financial Statements; Material Liabilities. The Company has delivered to each Purchaser copies of the financial statements of the Company and its Subsidiaries listed on Schedule 5.5. All of said financial statements (including in each case the related schedules and notes) fairly present in all material respects the consolidated financial position of the Company and its Subsidiaries as of the respective dates specified in such Schedule and the consolidated results of their operations and cash flows for the respective periods so specified and have been prepared in accordance with GAAP consistently applied throughout the periods involved except as set forth in the notes thereto (subject, in the case of any interim financial statements, to normal year-end adjustments). The Company and its Subsidiaries do not have any Material liabilities that are not disclosed on such financial statements or otherwise disclosed in the Disclosure Documents.

Section 5.6. Compliance with Laws, Other Instruments, Etc. The execution, delivery and performance by the Company of this Agreement and the Series 2010 Notes will not (a) contravene, result in any breach of, or constitute a default under, or result in the creation of any Lien in respect of any property of the Company or any Subsidiary under, any indenture, mortgage, deed of trust, loan, purchase or credit agreement, lease, corporate charter or by-laws, or any other agreement or instrument to which the Company or any Subsidiary is bound or by which the Company or any Subsidiary or any of their respective properties may be bound or affected, (b) conflict with or result in a breach of any of the terms, conditions or provisions of any order, judgment, decree, or ruling of any court, arbitrator or Governmental Authority applicable to the Company or any Subsidiary, or (c) violate any provision of any statute or other rule or regulation of any Governmental Authority applicable to the Company or any Subsidiary.

Section 5.7. Governmental Authorizations, Etc. All Required Governmental Approvals have been obtained by the Company and are in full force and effect. Other than the Required

Governmental Approvals, no consent, approval or authorization of, or registration, filing or declaration with, any Governmental Authority is required in connection with the execution, delivery or performance by the Company of this Agreement or the Series 2010 Notes.

Section 5.8. Litigation; Observance of Agreements, Statutes and Orders. (a) There are no actions, suits, investigations or proceedings pending or, to the knowledge of the Company, threatened against or affecting the Company or any Subsidiary or any property of the Company or any Subsidiary in any court or before any arbitrator of any kind or before or by any Governmental Authority that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

(b) Neither the Company nor any Subsidiary is in default under any term of any agreement or instrument to which it is a party or by which it is bound, or any order, judgment, decree or ruling of any court, arbitrator or Governmental Authority or is in violation of any applicable law, ordinance, rule or regulation (including without limitation Environmental Laws or the USA Patriot Act) of any Governmental Authority, which default or violation, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect.

Section 5.9. Taxes. The Company and its Subsidiaries have filed all tax returns that are required to have been filed in any jurisdiction, and have paid all taxes shown to be due and payable on such returns and all other taxes and assessments levied upon them or their properties, assets, income or franchises, to the extent such taxes and assessments have become due and payable and before they have become delinquent, except for any taxes and assessments (a) the amount of which is not individually or in the aggregate Material or (b) the amount, applicability or validity of which is currently being contested in good faith by appropriate proceedings and with respect to which the Company or a Subsidiary, as the case may be, has established adequate reserves in accordance with GAAP. The Company knows of no basis for any other tax or assessment that could reasonably be expected to have a Material Adverse Effect. The charges, accruals and reserves on the books of the Company and its Subsidiaries in respect of federal, state or other taxes for all fiscal periods are adequate. The Company is a not-for-profit corporation and, therefore, is not subject to federal income tax.

Section 5.10. Title to Property; Leases. The Company and its Subsidiaries have good and sufficient title to their respective properties which the Company and its Subsidiaries own or purport to own that individually or in the aggregate are Material, including all such properties reflected in the most recent audited balance sheet referred to in Section 5.5 or purported to have been acquired by the Company or any Subsidiary after said date (except as sold or otherwise disposed of in the ordinary course of business), in each case free and clear of Liens prohibited by this Agreement. All leases that individually or in the aggregate are Material are valid and subsisting and are in full force and effect in all material respects.

Section 5.11. Licenses, Permits, Etc.

(a) The Company and its Subsidiaries own or possess all licenses, permits, franchises, authorizations, patents, copyrights, proprietary software, service marks, trademarks and trade names, or rights thereto, that individually or in the aggregate are Material, without known conflict with the rights of others;

(b) To the best knowledge of the Company, no product of the Company or any of its Subsidiaries infringes in any Material respect any license, permit, franchise, authorization, patent, copyright, proprietary software, service mark, trademark, trade name or other right owned by any other Person; and

(c) To the best knowledge of the Company, there is no Material violation by any Person of any right of the Company or any of its Subsidiaries with respect to any patent, copyright, proprietary software, service mark, trademark, trade name or other right owned or used by the Company or any of its Subsidiaries.

Section 5.12. Compliance with ERISA. (a) The Company and each ERISA Affiliate have operated and administered each Plan in compliance with all applicable laws except for such instances of noncompliance as have not resulted in and could not reasonably be expected to result in a Material Adverse Effect. Neither the Company nor any ERISA Affiliate has incurred any liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans (as defined in section 3 of ERISA), and no event, transaction or condition has occurred or exists that could reasonably be expected to result in the incurrence of any such liability by the Company or any ERISA Affiliate, or in the imposition of any Lien on any of the rights, properties or assets of the Company or any ERISA Affiliate, in either case pursuant to Title I or IV of ERISA or to such penalty or excise tax provisions or to section 436 or 430 of the Code or section 4068 of ERISA, other than such liabilities or Liens as could not be individually or in the aggregate Material.

(b) The present value of the aggregate benefit liabilities under each of the Plans (other than Multiemployer Plans), determined as of the end of such Plan's most recently ended plan year on the basis of the actuarial assumptions specified for funding purposes in such Plan's most recent actuarial valuation report, did not exceed the aggregate current value of the assets of such Plan allocable to such benefit liabilities. The term "*benefit liabilities*" has the meaning specified in section 4001 of ERISA and the terms "*current value*" and "*present value*" have the meaning specified in section 3 of ERISA.

(c) The Company and its ERISA Affiliates have not incurred any withdrawal liabilities (and are not subject to contingent withdrawal liabilities) under section 4201 or 4204 of ERISA in respect of Multiemployer Plans that individually or in the aggregate are Material.

(d) The expected post-retirement benefit obligation (determined as of the last day of the Company's most recently ended fiscal year in accordance with Financial Accounting Standards Board Statement No. 106, without regard to liabilities attributable to continuation coverage mandated by section 4980B of the Code) of the Company and its Subsidiaries is not Material.

(e) The execution and delivery of this Agreement and the issuance and sale of the Series 2010 Notes hereunder will not involve any transaction that is subject to the prohibitions of Section 406 of ERISA or in connection with which a tax would be imposed pursuant to Section 4975(c)(1)(A)-(D) of the Code. The representation by the Company in the first sentence of this Section 5.12(e) is made in reliance upon and subject to the accuracy of each Purchaser's representation in Section 6.3 as to the sources of the funds to be used to pay the purchase price of the Series 2010 Notes to be purchased by such Purchaser.

Section 5.13. Private Offering by the Company. Neither the Company nor anyone acting on the Company's behalf has offered the Series 2010 Notes or any similar securities for sale to, or solicited any offer to buy any of the same from, or otherwise approached or negotiated in respect thereof with, any Person other than the Purchasers and not more than forty (40) other Institutional Investors, each of which has been offered the Series 2010 Notes in connection with a private sale for investment. Neither the Company nor anyone acting on its behalf has taken, or will take, any action that would subject the issuance or sale of the Series 2010 Notes to the registration requirements of Section 5 of the Securities Act or to the registration requirements of any securities or blue sky laws of any applicable jurisdiction.

Section 5.14. Use of Proceeds; Margin Regulations. The Company will apply the proceeds of the sale of the Series 2010 Notes to fund its capital expenditure programs and for general corporate purposes of the Company. No part of the proceeds from the sale of the Series 2010 Notes hereunder will be used, directly or indirectly, for the purpose of buying or carrying any margin stock within the meaning of Regulation U of the Board of Governors of the Federal Reserve System (12 CFR 221), or for the purpose of buying or carrying or trading in any securities under such circumstances as to involve the Company in a violation of Regulation X of said Board (12 CFR 224) or to involve any broker or dealer in a violation of Regulation T of said Board (12 CFR 220). The Company does not presently have, and has no present intention to acquire, legal or beneficial ownership of any margin stock. As used in this Section, the terms "margin stock" and "purpose of buying or carrying" shall have the meanings assigned to them in said Regulation U.

Section 5.15. Existing Debt; Future Liens. (a) Schedule 5.15 sets forth a complete and correct list of all outstanding Indebtedness of the Company and its Subsidiaries as of June 30, 2010 (including a description of the obligors and obligees, principal amount outstanding and collateral therefor, if any, and Guaranty thereof, if any), since which date there has been no Material change in the amounts, interest rates, sinking funds, installment payments or maturities of the Indebtedness of the Company and its Subsidiaries. Neither the Company nor any Subsidiary is in default, and no waiver of default is currently in effect, in the payment of any principal or interest on any Indebtedness of the Company or any Subsidiary and no event or condition exists with respect to any Indebtedness of the Company or any Subsidiary that would permit (or that with notice or the lapse of time, or both, would permit) one or more Persons to cause such Indebtedness to become due and payable before its stated maturity or before its regularly scheduled dates of payment.

(b) Neither the Company nor any Subsidiary has agreed or consented to cause or permit in the future (upon the happening of a contingency or otherwise) any of its property, whether now owned or hereafter acquired, to be subject to a Lien not permitted by Section 10.1.

(c) Neither the Company nor any Subsidiary is a party to, or otherwise subject to any provision contained in, any instrument evidencing Indebtedness of the Company or such Subsidiary, any agreement relating thereto or any other agreement (including, but not limited to, its charter or other organizational document) which limits the amount of, or otherwise imposes restrictions on the incurring of, Indebtedness of the Company, except as specifically indicated in Schedule 5.15.

Section 5.16. Foreign Assets Control Regulations, Etc. (a) Neither the sale of the Series 2010 Notes by the Company hereunder nor its use of the proceeds thereof will violate the Trading with the Enemy Act, as amended, or any of the foreign assets control regulations of the United States Treasury Department (31 CFR, Subtitle B, Chapter V, as amended) or any enabling legislation or executive order relating thereto.

(b) Neither the Company nor any Subsidiary (i) is, or will become, a Person described or designated in the Specially Designated Nationals and Blocked Persons List of the Office of Foreign Assets Control or in Section 1 of the Anti-Terrorism Order and (ii) engages or will engage in any dealings or transactions, or is or will be otherwise associated, with any such Person. The Company is in compliance, in all material respects, with the USA Patriot Act.

(c) No part of the proceeds from the sale of the Series 2010 Notes hereunder will be used, directly or indirectly, for any payments to any governmental official or employee, political party, official of a political party, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of the United States Foreign Corrupt Practices Act of 1977, as amended, assuming in all cases that such Act applies to the Company.

Section 5.17. Status under Certain Statutes. Neither the Company nor any Subsidiary is an “investment company” registered or required to be registered under the Investment Company Act of 1940, as amended, or is subject to regulation under the Public Utility Holding Company Act of 2005, as amended, the ICC Termination Act of 1995, as amended, or the Federal Power Act, as amended.

Section 5.18. Environmental Matters. The Company has no knowledge of any claim and has not received any notice of any claim, and no proceeding has been instituted raising any claim against the Company or any Subsidiary or any of their real properties now or formerly owned, leased or operated by it or other assets, alleging any damage to the environment or violation of any Environmental Laws, except, in each case, such as could not reasonably be expected to result in a Material Adverse Effect. Furthermore:

(a) the Company has no knowledge of any facts which would give rise to any claim, public or private, of violation of Environmental Laws or damage to the environment emanating from, occurring on or in any way related to real properties now or formerly owned, leased or operated by it or to other assets or their use, except, in each case, such as could not reasonably be expected to result in a Material Adverse Effect;

(b) neither the Company nor any Subsidiary has stored any Hazardous Materials on real properties now or formerly owned, leased or operated by it and has not disposed of any Hazardous Materials in a manner contrary to any Environmental Laws in each case in any manner that could reasonably be expected to result in a Material Adverse Effect;

(c) all buildings on all real properties now owned or leased by the Company or any Subsidiary are in compliance with applicable Environmental Laws, except where

failure to comply could not reasonably be expected to result in a Material Adverse Effect; and

(d) neither the Company nor any Subsidiary has any knowledge of any facts which would give rise to any claim of violation of Environmental Laws or damage to the environment with respect to any real property through or over which electric transmission facilities, on which Company or any Subsidiaries schedules or administers transmissions services, pass, that could reasonably be expected to result in a Material Adverse Effect.

Section 5.19. Notes Rank Pari Passu. The obligations of the Company under this Agreement and the Notes rank *pari passu* in right of payment with all Senior Funded Debt outstanding under the Bank Credit Agreements and all other unsecured Senior Funded Debt (actual or contingent) of the Company, including, without limitation, all unsecured Senior Funded Debt of the Company described in Schedule 5.15 hereto.

SECTION 6. REPRESENTATIONS OF THE PURCHASER.

Section 6.1. Purchase for Investment. Each Purchaser severally represents that it is purchasing the Series 2010 Notes for its own account or for one or more separate accounts maintained by it or for the account of one or more pension or trust funds and not with a view to the distribution thereof (other than any Notes purchased by Banc of America Securities LLC on the applicable Closing Date which are intended to be resold to a “qualified institutional buyer” pursuant to Rule 144A of the Securities Act), *provided* that the disposition of such Purchaser’s or such pension or trust funds’ property shall at all times be within such Purchaser’s or such pension or trust funds’ control. Each Purchaser understands that the Series 2010 Notes have not been registered under the Securities Act and may be resold only if registered pursuant to the provisions of the Securities Act or if an exemption from registration is available, except under circumstances where neither such registration nor such an exemption is required by law, and that the Company is not required to register the Series 2010 Notes.

Section 6.2. Source of Funds. Each Purchaser severally represents that at least one of the following statements is an accurate representation as to each source of funds (a “*Source*”) to be used by such Purchaser to pay the purchase price of the Series 2010 Notes to be purchased by such Purchaser hereunder:

(a) the Source is an “insurance company general account” (as the term is defined in the United States Department of Labor’s Prohibited Transaction Exemption (“*PTE*”) 95-60) in respect of which the reserves and liabilities (as defined by the annual statement for life insurance companies approved by the NAIC (the “*NAIC Annual Statement*”)) for the general account contract(s) held by or on behalf of any employee benefit plan together with the amount of the reserves and liabilities for the general account contract(s) held by or on behalf of any other employee benefit plans maintained by the same employer (or affiliate thereof as defined in PTE 95-60) or by the same employee organization in the general account do not exceed 10% of the total reserves and liabilities of the general account (exclusive of separate account liabilities) plus surplus as set forth in the NAIC Annual Statement filed with such Purchaser’s state of domicile; or

(b) the Source is a separate account that is maintained solely in connection with such Purchaser's fixed contractual obligations under which the amounts payable, or credited, to any employee benefit plan (or its related trust) that has any interest in such separate account (or to any participant or beneficiary of such plan (including any annuitant)) are not affected in any manner by the investment performance of the separate account; or

(c) the Source is either (i) an insurance company pooled separate account, within the meaning of PTE 90-1 or (ii) a bank collective investment fund, within the meaning of the PTE 91-38 and, except as disclosed by such Purchaser to the Company in writing pursuant to this clause (c), no employee benefit plan or group of plans maintained by the same employer or employee organization beneficially owns more than 10% of all assets allocated to such pooled separate account or collective investment fund; or

(d) the Source constitutes assets of an "investment fund" (within the meaning of Part V of PTE 84-14 (the "QPAM Exemption")) managed by a "qualified professional asset manager" or "QPAM" (within the meaning of Part V of the QPAM Exemption), no employee benefit plan's assets that are included in such investment fund, when combined with the assets of all other employee benefit plans established or maintained by the same employer or by an affiliate (within the meaning of Section V(c)(1) of the QPAM Exemption) of such employer or by the same employee organization and managed by such QPAM, exceed 20% of the total client assets managed by such QPAM, the conditions of Part I(c) and (g) of the QPAM Exemption are satisfied, as of the last day of its most recent calendar quarter, the QPAM does not own a 10% or more interest in the Company and no person controlling or controlled by the QPAM (applying the definition of "control" in Section V(e) of the QPAM Exemption) owns a 20% or more interest in the Company (or less than 20% but greater than 10%, if such person exercises control over the management or policies of the Company by reason of its ownership interest) and (i) the identity of such QPAM and (ii) the names of all employee benefit plans whose assets are included in such investment fund have been disclosed to the Company in writing pursuant to this clause (d); or

(e) the Source constitutes assets of a "plan(s)" (within the meaning of Section IV of PTE 96-23 (the "INHAM Exemption")) managed by an "in-house asset manager" or "INHAM" (within the meaning of Part IV of the INHAM exemption), the conditions of Part I(a), (g) and (h) of the INHAM Exemption are satisfied, neither the INHAM nor a person controlling or controlled by the INHAM (applying the definition of "control" in Section IV(d) of the INHAM Exemption) owns a 5% or more interest in the Company and (i) the identity of such INHAM and (ii) the name(s) of the employee benefit plan(s) whose assets constitute the Source have been disclosed to the Company in writing pursuant to this clause (e); or

(f) the Source is a governmental plan; or

(g) the Source is one or more employee benefit plans, or a separate account or trust fund comprised of one or more employee benefit plans, each of which has been identified to the Company in writing pursuant to this clause (g); or

(h) the Source does not include assets of any employee benefit plan, other than a plan exempt from the coverage of ERISA.

As used in this Section 6.2, the terms “*employee benefit plan*,” “*governmental plan*,” and “*separate account*” shall have the respective meanings assigned to such terms in section 3 of ERISA.

SECTION 7. INFORMATION AS TO COMPANY.

Section 7.1. Financial and Business Information. The Company shall deliver to each holder of Notes that is an Institutional Investor:

(a) *Quarterly Statements* — within 45 days (or such shorter period as is 15 days greater than the period applicable to the filing of Form 10-Q with the SEC regardless of whether the Company is subject to the filing requirements thereof) after the end of each quarterly fiscal period in each fiscal year of the Company (other than the last quarterly fiscal period of each such fiscal year), duplicate copies of:

(i) a consolidated balance sheet of the Company and its Subsidiaries as at the end of such quarter, and

(ii) consolidated statements of income and cash flows of the Company and its Subsidiaries for such quarter and (in the case of the second and third quarters) for the portion of the fiscal year ending with such quarter,

setting forth in each case in comparative form the figures for the corresponding periods in the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP applicable to quarterly financial statements generally, and certified by a Senior Financial Officer as fairly presenting, in all material respects, the financial position of the companies being reported on and their results of operations and cash flows, subject to changes resulting from year-end adjustments;

(b) *Annual Statements* — within 120 days (or such shorter period as is 15 days greater than the period applicable to the filing of Form 10-K with the SEC regardless of whether the Company is subject to the filing requirements thereof) after the end of each fiscal year of the Company, duplicate copies of:

(i) a consolidated balance sheet of the Company and its Subsidiaries, as at the end of such year, and

(ii) consolidated statements of income, Members’ equity and cash flows of the Company and its Subsidiaries, for such year,

setting forth in each case in comparative form the figures for the previous fiscal year, all in reasonable detail, prepared in accordance with GAAP, and accompanied by an opinion thereon of independent certified public accountants of recognized national standing, which opinion shall state that such financial statements present fairly, in all material

respects, the financial position of the companies being reported upon and their results of operations and cash flows and have been prepared in conformity with GAAP, and that the examination of such accountants in connection with such financial statements has been made in accordance with generally accepted auditing standards, and that such audit provides a reasonable basis for such opinion in the circumstances, and

(c) *Reports to and Notices from Governmental Authorities* —

(i) promptly and in any event within five (5) days after the sending or filing thereof, copies of any material filings with, or notices from, any Governmental Authority, other than filings, notices and correspondence in the ordinary course of business;

(ii) promptly and in any event within two hundred seventy (270) days after the end of each fiscal year of Company, copies of the Form 990 or any similar filing made by Company with the Internal Revenue Service;

(iii) all reports or documents filed with FERC describing or relating to events or actions which could reasonably be expected to have a Material effect (whether favorable or unfavorable to the Company);

(iv) to the extent applicable, each regular or periodic report, each registration statement (without exhibits except as expressly requested by such holder), and each prospectus and all amendments thereto filed by the Company or any Subsidiary with the Securities and Exchange Commission (the “SEC”) and

(v) promptly, and in any event within 30 days of receipt thereof, copies of any notice to the Company or any Subsidiary from any Federal or state Governmental Authority relating to any order, ruling, statute or other law or regulation that could reasonably be expected to have a Material Adverse Effect.

(d) *Notice of Default or Event of Default* — promptly, and in any event within five days after a Responsible Officer becoming aware of the existence of any Default or Event of Default or that any Person has given any notice or taken any action with respect to a claimed default hereunder or that any Person has given any notice or taken any action with respect to a claimed default of the type referred to in Section 11(f), 11(k) or 11(l), a written notice specifying the nature and period of existence thereof and what action the Company is taking or proposes to take with respect thereto;

(e) *ERISA Matters* — promptly, and in any event within five days after a Responsible Officer becoming aware of any of the following, a written notice setting forth the nature thereof and the action, if any, that the Company or an ERISA Affiliate proposes to take with respect thereto:

(i) with respect to any Plan, any reportable event, as defined in section 4043(c) of ERISA and the regulations thereunder, for which notice thereof has not been waived pursuant to such regulations as in effect on the date hereof and on the date of the applicable Closing; or

(ii) the taking by the PBGC of steps to institute, or the threatening by the PBGC of the institution of, proceedings under section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan, or the receipt by the Company or any ERISA Affiliate of a notice from a Multiemployer Plan that such action has been taken by the PBGC with respect to such Multiemployer Plan; or

(iii) any event, transaction or condition that could result in the incurrence of any liability by the Company or any ERISA Affiliate pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, or in the imposition of any Lien on any of the rights, properties or assets of the Company or any ERISA Affiliate pursuant to Title I or IV of ERISA or such penalty or excise tax provisions, if such liability or Lien, taken together with any other such liabilities or Liens then existing, could reasonably be expected to have a Material Adverse Effect;

(f) *Compliance with Indebtedness* — with reasonable promptness and in any event within five (5) days after the request therefore, from time to time, such further information regarding the compliance by the Company or any Subsidiary with the terms and provisions of this Agreement and any other Indebtedness (including without limitation any Bank Credit Agreement);

(g) *Supplements* — promptly and in any event within 10 Business Days after the execution and delivery of any Supplement, a copy thereof; and

(h) *Requested Information* — with reasonable promptness, such other data and information relating to the business, operations, affairs, financial condition, assets or properties of the Company or any of its Subsidiaries or relating to the ability of the Company to perform its obligations hereunder and under the Notes as from time to time may be reasonably requested by any such holder of Notes.

Section 7.2. Officer's Certificate. Each set of financial statements delivered to a holder of Notes pursuant to Section 7.1(a) or Section 7.1(b) shall be accompanied by a certificate of a Senior Financial Officer setting forth:

(a) *Covenant Compliance* — the information (including detailed calculations) required in order to establish whether the Company was in compliance with the requirements of this Agreement, including Section 10.2(c) if the Company has engaged in any transactions governed by such Section during the quarterly or annual period covered by the statements then being furnished (including with respect to such Section, where applicable, the calculations of the maximum or minimum amount, ratio or percentage, as the case may be, permissible under the terms of such Sections, and the calculation of the amount, ratio or percentage then in existence);

(b) *Event of Default* — a statement that such Senior Financial Officer has reviewed the relevant terms hereof and has made, or caused to be made, under his or her supervision, a review of the transactions and conditions of the Company and its

Subsidiaries from the beginning of the quarterly or annual period covered by the statements then being furnished to the date of the certificate and that such review shall not have disclosed the existence during such period of any condition or event that constitutes a Default or an Event of Default or, if any such condition or event existed or exists (including, without limitation, any such event or condition resulting from the failure of the Company or any Subsidiary to comply with any Environmental Law), specifying the nature and period of existence thereof and what action the Company shall have taken or proposes to take with respect thereto; and

(c) *Member Status* — to the extent not otherwise publicly available, a list of all Members of the Company as of the end of the quarterly or annual period covered by the statements then being furnished.

Section 7.3. Inspection. The Company shall permit the representatives of each holder of Notes that is an Institutional Investor:

(a) *No Default* — if no Default or Event of Default then exists, at the expense of such holder and upon reasonable prior notice to the Company, to visit the principal executive office of the Company, to discuss the affairs, finances and accounts of the Company and its Subsidiaries with the Company's officers, and (with the consent of the Company, which consent will not be unreasonably withheld) its independent public accountants, and (with the consent of the Company, which consent will not be unreasonably withheld) to visit the other offices and properties of the Company and each Subsidiary, all at such reasonable times and as often as may be reasonably requested in writing; and

(b) *Default* — if a Default or Event of Default then exists, at the expense of the Company, to visit and inspect any of the offices or properties of the Company or any Subsidiary, to examine all their respective books of account, records, reports and other papers, to make copies and extracts therefrom, and to discuss their respective affairs, finances and accounts with their respective officers and independent public accountants (and by this provision the Company authorizes said accountants to discuss the affairs, finances and accounts of the Company and its Subsidiaries), all at such times and as often as may be requested.

SECTION 8. PAYMENT OF THE NOTES.

Section 8.1. Required Payments and Prepayments. (a) On the 30th day of March, June, September and December in each year, commencing March 30, 2013, and on each of said quarterly dates in each year thereafter until the maturity date of the Series 2010A Notes, the Company will pay scheduled payments of principal and interest on the Series 2010A Notes in the aggregate amount and on the dates as set forth in Schedule 8.1(a) at par and without payment of the Make-Whole Amount or any premium. The entire unpaid principal amount of the Series 2010A Notes shall become due and payable on December 30, 2042.

(b) On the 30th day of March, June, September and December in each year, commencing March 30, 2013, and on each of said quarterly dates in each year thereafter until the

maturity date of the Series 2010B Notes, the Company will pay scheduled payments of principal and interest on the Series 2010B Notes in the aggregate amount and on the dates as set forth in Schedule 8.1(b) at par and without payment of the Make-Whole Amount or any premium. The entire unpaid principal amount of the Series 2010B Notes shall become due and payable on December 30, 2042.

(c) On the 30th day of March, June, September and December in each year, commencing June 30, 2014, and on each of said quarterly dates in each year thereafter until the maturity date of the Series 2010C Notes, the Company will pay and retire \$1,750,000 principal amount (or such lesser principal amount as shall then be outstanding) of the Series 2010C Notes at par and without payment of the Make-Whole Amount or any premium. The entire unpaid principal amount of the Series 2010C Notes shall become due and payable on March 30, 2024.

(d) Upon any partial prepayment of the Series 2010A or Series 2010B Notes pursuant to Section 8.2 or Section 8.7, the payment schedule set forth in Schedule 8.1(a) or Schedule 8.1(b), as applicable, shall be adjusted such that the remaining principal and interest due or to become due on such series of Notes shall be paid in equal, quarterly, “mortgage style” installments for a fully amortizing loan, for each remaining payment date, with the final such payment due December 30, 2042, and the Company shall deliver such adjusted schedule to each holder of Notes upon any such partial prepayment. Upon any partial prepayment of the Series 2010C Notes pursuant to Section 8.2 or Section 8.7, the principal amount of each required prepayment of the Series 2010 Notes becoming due under this Section 8.1 on and after the date of such prepayment or purchase shall be reduced in the same proportion as the aggregate unpaid principal amount of the Series 2010 Notes is reduced as a result of such prepayment or purchase.

Section 8.2. Membership Terminations.

(a) *Notice of Membership Terminations.* The Company will, within 10 Business Days after any Responsible Officer has knowledge of the impending occurrence of any Membership Termination Event, give written notice of such impending Membership Termination Event to each holder of Notes, which notice shall specify the effective date, and shall estimate the Change in Membership Percentage associated with such Membership Termination Event as of the effective date of the Membership Termination Event and the cumulative Change in Membership Percentage associated with all Membership Termination Events (less any portion thereof in respect of which prepayments pursuant to this Section 8.2 shall theretofore have been made) from the date of this Agreement to and including the effective date of such Membership Termination Event (with a reasonably detailed calculation of each thereof). If a Material Change in Membership Percentage will occur as of the effective date of the Membership Termination Event, the Company will give written notice (the “*Final Notice*”) to each holder of Notes not less than ten (10) days prior to the effective date of such Membership Termination Event and such Final Notice shall state the actual Change in Membership Percentage associated with such Membership Termination Event, and shall state the actual cumulative Change in Membership Percentage associated with all Membership Termination Events (less any portion thereof in respect of which prepayments pursuant to this Section 8.2 shall theretofore have been made) since the date of this Agreement. Such

Final Notice shall constitute an offer to prepay Notes as described in subparagraph (b) of this Section and shall be accompanied by the certificate described in subparagraph (e) of this Section.

(b) *Offer To Prepay Notes.* The offer to prepay Notes contemplated by subparagraph (a) of this Section shall be an offer to prepay, in accordance with and subject to this Section, a principal amount of the Notes in an amount equal to, in the case of a Material Change in Membership Percentage, the cumulative Change in Membership Percentage (as specified in such Final Notice) of the outstanding principal amount of the Notes on a date specified in such Final Notice (the “*Proposed Prepayment Date*”) that is not less than 30 days and not more than 60 days after the date of such Final Notice.

(c) *Acceptance; Allocation.* A holder of Notes may accept the offer to prepay made pursuant to this Section by causing a notice of such acceptance to be delivered to the Company at least 15 days prior to the Proposed Prepayment Date. A failure by a holder of Notes to respond to an offer to prepay made pursuant to this Section shall be deemed to constitute a rejection of such offer by such holder. The aggregate amount of each prepayment shall be allocated among the holders that have accepted the offer ratably in accordance with the aggregate unpaid principal amount of the Notes held by such holders. Not less than 10 days prior to the Proposed Prepayment Date, the Company shall provide all holders with a notice of the principal amount of the prepayment to be made to each such holder and the interest to be accrued on the amount of such prepayment through the Proposed Prepayment Date.

(d) *Prepayment.* Prepayment of the Notes to be prepaid pursuant to this Section shall be at 100% of the principal amount of such Notes specified in the Final Notice, together with interest thereon accrued to the date of prepayment, but without premium or Make-Whole Amount. The prepayment shall be made on the Proposed Prepayment Date.

(e) *Officer’s Certificate.* Each Final Notice to prepay the Notes pursuant to this Section shall be accompanied by a certificate, executed by a Senior Financial Officer of the Company and dated the date of such Final Notice, specifying: (i) the Proposed Prepayment Date; (ii) that such offer is made pursuant to this Section 8.2; and (iii) the aggregate principal amount offered to be prepaid.

As used in this Section 8.2:

“*Change in Membership Percentage*” for any Membership Termination Event shall mean the Membership Percentage of such a Member immediately prior to the related Membership Termination Event, each of which shall be specified in the Company’s Final Notice pursuant to subparagraph (a) of this Section 8.2.

“*Material Change in Membership Percentage*” means any Change in Membership Percentage which, when taken together with all previous Changes in Membership Percentages in respect of which no prepayment has been made to any holder pursuant to this Section 8.2, aggregates 50% or more.

“Membership Termination Event” means any termination or removal of a Member of the Company, whether pursuant to Section 4.0, 5.0 or 6.0 of the Membership Agreement or any analogous provision of any similar agreement, pursuant to the Articles of Incorporation or Bylaws of the Company or otherwise.

Section 8.3. Optional Prepayments with Make-Whole Amount. The Company may, at its option, upon notice as provided below, prepay at any time all, or from time to time any part of, the Notes, in an amount not less than \$5,000,000 (or, if less, the aggregate principal amount of the Notes then outstanding in the case of a partial prepayment), at 100% of the principal amount so prepaid, together with interest accrued thereon to the date of such prepayment, plus the Make-Whole Amount determined for the prepayment date with respect to such principal amount. The Company will give each holder of Notes written notice of each optional prepayment under this Section 8.3 not less than 30 days and not more than 60 days prior to the date fixed for such prepayment. Each such notice shall specify such date (which shall be a Business Day), the aggregate principal amount of the Notes to be prepaid on such date, the principal amount of each Note held by such holder to be prepaid (determined in accordance with Section 8.4), and the interest to be paid on the prepayment date with respect to such principal amount being prepaid, and shall be accompanied by a certificate of a Senior Financial Officer as to the estimated Make-Whole Amount due in connection with such prepayment (calculated as if the date of such notice were the date of the prepayment), setting forth the details of such computation. Two Business Days prior to such prepayment, the Company shall deliver to each holder of Notes a certificate of a Senior Financial Officer specifying the calculation of such Make-Whole Amount as of the specified prepayment date.

Section 8.4. Allocation of Partial Prepayments. In the case of each partial prepayment of the Notes (other than a payment pursuant to Section 8.2), the principal amount of the Notes to be prepaid shall be allocated among all of the Notes at the time outstanding in proportion, as nearly as practicable, to the respective unpaid principal amounts thereof not theretofore called for prepayment.

Section 8.5. Maturity; Surrender, etc. In the case of each prepayment of Notes pursuant to this Section 8, the principal amount of each Note to be prepaid shall mature and become due and payable on the date fixed for such prepayment, together with interest on such principal amount accrued to such date and the applicable Make-Whole Amount, if any. From and after such date, unless the Company shall fail to pay such principal amount when so due and payable, together with the interest and Make-Whole Amount, if any, as aforesaid, interest on such principal amount shall cease to accrue. Any Note paid or prepaid in full shall be surrendered to the Company and cancelled and shall not be reissued, and no Note shall be issued in lieu of any prepaid principal amount of any Note.

Section 8.6. Purchase of Notes. The Company will not and will not permit any Affiliate to purchase, redeem, prepay or otherwise acquire, directly or indirectly, any of the outstanding Notes except upon the payment or prepayment of the Notes in accordance with the terms of this Agreement and the Notes. The Company will promptly cancel all Notes acquired by it or any Affiliate pursuant to any payment, prepayment or purchase of Notes pursuant to any provision of this Agreement and no Notes may be issued in substitution or exchange for any such Notes.

Section 8.7. Make-Whole Amount For Series 2010 Notes. The term “*Make-Whole Amount*” for the Series 2010 Notes means, with respect to any Series 2010 Note, an amount equal to the excess, if any, of the Discounted Value of the Remaining Scheduled Payments with respect to the Called Principal of such Series 2010 Note over the amount of such Called Principal, *provided* that the Make-Whole Amount may in no event be less than zero. For the purposes of determining the Make-Whole Amount, the following terms have the following meanings:

“*Called Principal*” means, with respect to any Series 2010 Note, the principal of such Series 2010 Note that is to be prepaid pursuant to Section 8.3 or has become or is declared to be immediately due and payable pursuant to Section 12.1, as the context requires.

“*Discounted Value*” means, with respect to the Called Principal of any Series 2010 Note, the amount obtained by discounting all Remaining Scheduled Payments with respect to such Called Principal from their respective scheduled due dates to the Settlement Date with respect to such Called Principal, in accordance with accepted financial practice and at a discount factor (applied on the same periodic basis as that on which interest on the Series 2010 Notes is payable) equal to the Reinvestment Yield with respect to such Called Principal.

“*Reinvestment Yield*” means, with respect to the Called Principal of any Series 2010 Note, the sum of 0.50% plus the yield to maturity implied by (i) the yields reported as of 10:00 a.m. (New York City time) on the second Business Day preceding the Settlement Date with respect to such Called Principal, on the display designated as “Page PX1” (or such other display as may replace Page PX1 on Bloomberg Financial Markets (“*Bloomberg*”) or, if Page PX1 (or its successor screen on Bloomberg) is unavailable, the Telerate Access Service screen which corresponds most closely to Page PX1 for the most recently issued actively traded U.S. Treasury securities having a maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date, or (ii) if such yields are not reported as of such time or the yields reported as of such time are not ascertainable (including by way of interpolation), the Treasury Constant Maturity Series Yields reported, for the latest day for which such yields have been so reported as of the second Business Day preceding the Settlement Date with respect to such Called Principal, in Federal Reserve Statistical Release H.15 (519) (or any comparable successor publication) for actively traded U.S. Treasury securities having a constant maturity equal to the Remaining Average Life of such Called Principal as of such Settlement Date. Such implied yield will be determined, if necessary, by (a) converting U.S. Treasury bill quotations to bond equivalent yields in accordance with accepted financial practice and (b) interpolating linearly between (1) the actively traded U.S. Treasury security with the maturity closest to and greater than such Remaining Average Life and (2) the actively traded U.S. Treasury security with the maturity closest to and less than such Remaining Average Life. The Reinvestment Yield shall be rounded to the number of decimal places as appears in the coupon of the applicable Series 2010 Note.

“Remaining Average Life” means, with respect to any Called Principal, the number of years (calculated to the nearest one-twelfth year) obtained by dividing (i) such Called Principal into (ii) the sum of the products obtained by multiplying (a) the principal component of each Remaining Scheduled Payment with respect to such Called Principal by (b) the number of years (calculated to the nearest one-twelfth year) that will elapse between the Settlement Date with respect to such Called Principal and the scheduled due date of such Remaining Scheduled Payment.

“Remaining Scheduled Payments” means, with respect to the Called Principal of any Series 2010 Note, all payments of such Called Principal and interest thereon that would be due after the Settlement Date with respect to such Called Principal if no payment of such Called Principal were made prior to its scheduled due date, *provided* that if such Settlement Date is not a date on which interest payments are due to be made under the terms of the Series 2010 Notes, then the amount of the next succeeding scheduled interest payment will be reduced by the amount of interest accrued to such Settlement Date and required to be paid on such Settlement Date pursuant to Section 8.3 or 12.1.

“Settlement Date” means, with respect to the Called Principal of any Series 2010 Note, the date on which such Called Principal is to be prepaid pursuant to Section 8.3 or has become or is declared to be immediately due and payable pursuant to Section 12.1, as the context requires.

SECTION 9. AFFIRMATIVE COVENANTS.

The Company covenants that so long as any of the Notes are outstanding:

Section 9.1. Compliance with Law. The Company will, and will cause each of its Subsidiaries to, comply with all laws, ordinances or governmental rules or regulations to which each of them is subject, including, without limitation, ERISA, the USA Patriot Act, Environmental Laws, and will obtain and maintain in effect all licenses, certificates, permits, franchises and other governmental authorizations necessary to the ownership of their respective properties or to the conduct of their respective businesses, in each case to the extent necessary to ensure that non-compliance with such laws, ordinances or governmental rules or regulations or failures to obtain or maintain in effect such licenses, certificates, permits, franchises and other governmental authorizations could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. Without limiting the foregoing, the Company will, at all times after its certification as a Regional Transmission Organization by FERC, maintain in effect such certification.

Section 9.2. Insurance. The Company will, and will cause each of its Subsidiaries to, maintain, with financially sound and reputable insurers, insurance with respect to their respective properties and businesses against such casualties and contingencies, of such types, on such terms and in such amounts (including deductibles, co-insurance and self-insurance, if adequate reserves are maintained with respect thereto) as is customary in the case of entities of established reputations engaged in the same or a similar business and similarly situated.

Section 9.3. Maintenance of Properties. The Company will, and will cause each of its Subsidiaries to, maintain and keep, or cause to be maintained and kept, their respective properties in good repair, working order and condition (other than ordinary wear and tear), so that the business carried on in connection therewith may be properly conducted at all times, *provided* that this Section shall not prevent the Company or any Subsidiary from discontinuing the operation and the maintenance of any of its properties if such discontinuance is desirable in the conduct of its business and the Company has concluded that such discontinuance could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

Section 9.4. Payment of Taxes and Claims. The Company will, and will cause each of its Subsidiaries to, file all tax returns required to be filed in any jurisdiction and to pay and discharge all taxes shown to be due and payable on such returns and all other taxes, assessments, governmental charges, or levies imposed on them or any of their properties, assets, income or franchises, to the extent such taxes and assessments have become due and payable and before they have become delinquent and all claims for which sums have become due and payable that have or might become a Lien on properties or assets of the Company or any Subsidiary, *provided* that neither the Company nor any Subsidiary need pay any such tax or assessment or claims if (i) the amount, applicability or validity thereof is contested by the Company or such Subsidiary on a timely basis in good faith and in appropriate proceedings, and the Company or a Subsidiary has established adequate reserves therefor in accordance with GAAP on the books of the Company or such Subsidiary or (ii) the nonpayment of all such taxes and assessments in the aggregate could not reasonably be expected to have a Material Adverse Effect.

Section 9.5. Corporate Existence, etc. The Company will at all times preserve and keep in full force and effect its existence as a not-for-profit mutual benefit corporation formed under the laws of the State of Arkansas eligible for exemption from federal income taxes pursuant to Section 501(c)(6) of the Code. Subject to Sections 10.2 and 10.3, the Company will at all times preserve and keep in full force and effect the corporate existence of each of its Subsidiaries (unless merged into the Company or a Wholly Owned Subsidiary) and all rights and franchises of the Company and its Subsidiaries unless, in the good faith judgment of the Company, the termination of or failure to preserve and keep in full force and effect such corporate existence, right or franchise could not, individually or in the aggregate, have a Material Adverse Effect.

Section 9.6. Organizational Documents. The Company will at all times preserve and keep in full force and effect its Bylaws and its Membership Agreement (the Membership Agreement in effect from time to time being hereinafter referred to as the “*Membership Agreement*”), substantially in the form included in the Memorandum with such changes as could not, individually or in the aggregate, have an adverse effect on the holders of the Notes. The Company will make publicly available a true copy of the current Bylaws or the Membership Agreement promptly after the same amended or supplemented.

Section 9.7. Debt Service Reserve. The Company will maintain as a debt service reserve fund available liquid assets consisting of cash and money markets investments in an amount equal to the sum of (i) the principal amount of the Adjusted Senior Funded Debt which is due or will become due within six months (including without limitation the Notes, whether at maturity or pursuant to Sections 8.1 and 8.3 hereof), (ii) interest which is due or will become due within

six months on the Adjusted Senior Funded Debt in accordance with the terms thereof (including without limitation the Notes, whether at maturity or pursuant to Sections 8.3 hereof), and (iii) any Make-Whole Amount payable within six months of the due date thereof on the Notes pursuant to the provisions of Section 8.3 hereof. Such reserve funds shall be maintained at the Company's option either as a segregated account or accounts in which such cash or readily marketable investments are held or an undrawn line of credit or available amount under a revolving credit agreement or a combination thereof. The debt service reserve imposed hereby shall be measured annually as of the end of the Company's fiscal year.

Section 9.8. Books and Records. The Company will, and will cause each of its Subsidiaries to, maintain proper books of record and account in conformity with GAAP and all applicable requirements of any Governmental Authority having legal or regulatory jurisdiction over the Company, or such Subsidiary, as the case may be.

Section 9.9. Subsidiary Guarantors. (a) The Company will cause any Subsidiary which is required by the terms of the Bank Credit Agreement or any Debt Agreement of the Company to become a party to, or otherwise guarantee, Debt in respect of the Bank Credit Agreement or such Debt Agreement, to enter into a Subsidiary Guaranty Agreement which shall be in a form reasonably acceptable to the Required Holders (a "*Subsidiary Guaranty*") and deliver to each of the holders of the Notes (concurrently with the incurrence of any such obligation pursuant to the Bank Credit Agreement) the following items:

(i) a certificate signed by an authorized Responsible Officer of the Company making representations and warranties to the effect of those contained in Sections 5.4, 5.6 and 5.7, with respect to such Subsidiary and the Subsidiary Guaranty, as applicable; and

(ii) an opinion of counsel (who may be in-house counsel for the Company) addressed to each of the holders of the Notes satisfactory to the Required Holders, to the effect that the Subsidiary Guaranty by such Person has been duly authorized, executed and delivered and that the Subsidiary Guaranty constitutes the legal, valid and binding contract and agreement of such Person enforceable in accordance with its terms, except as an enforcement of such terms may be limited by bankruptcy, insolvency, fraudulent conveyance and similar laws affecting the enforcement of creditors' rights generally and by general equitable principles.

(b) At any time in which a Subsidiary Guaranty shall be in existence, the holders of the Notes agree to discharge and release any Subsidiary Guarantor from such Subsidiary Guaranty upon receipt of written notice from the Company, *provided* that (i) such Subsidiary Guarantor has been released and discharged (or will be released and discharged concurrently with the release of such Subsidiary Guarantor under such Subsidiary Guaranty) as an obligor and guarantor under and in respect of the Bank Credit Agreement and each Debt Agreement of the Company and the Company so certifies to the holders of the Notes in a certificate of a Responsible Officer, (ii) at the time of such release and discharge, the Company shall deliver a certificate of a Responsible Officer to the holders of the Notes stating that no Default or Event of Default exists, and (iii) if any fee or other form of consideration is given to any holder of Debt of the Company expressly for the purpose of such release, holders of the Notes shall receive equivalent consideration.

Section 9.10. Most Favored Lender. In the event that any Bank Credit Agreement of the Company shall at any time contain any financial covenant, undertaking, restriction or other provision that provides for limitations on or measures indebtedness, interest expense or net worth, stockholders' equity or net assets (however expressed and whether stated as a ratio, as a fixed threshold, as an event of default or otherwise) and such covenant, undertaking, restriction or provision is not contained in this Agreement or would be more beneficial to the holders of the Notes than any analogous covenant, undertaking, restriction or provision contained in this Agreement (any such covenant, undertaking, restriction or provision, an "*Additional Covenant*") then, unless waived in writing by the Required Holders, such Additional Covenant shall be deemed automatically incorporated by reference into this Agreement (including each Supplement), mutatis mutandis, as if set forth fully herein, without any further action required on the part of any Person, effective as of the date when such Additional Covenant became effective under such Bank Credit Agreement. Thereafter, upon the request of any holder of a Note, the Company shall promptly, at its expense (including, without limitation, the reasonable fees and expenses of counsel for the holders of the Notes), enter into any additional agreement or amendment to this Agreement (including each Supplement) reasonably requested by such holder evidencing any of the foregoing. Any Additional Covenant incorporated into this Agreement (including any Supplement) pursuant to this Section 9.10 shall (A) remain unchanged herein notwithstanding any subsequent waiver or other modification of such covenant, undertaking, restriction or other provision under the applicable Bank Credit Agreement and (B) be deemed deleted from this Agreement (including each Supplement) at such time as no amounts shall be outstanding or committed under the applicable Bank Credit Agreement or such Additional Covenant shall be deleted from such Bank Credit Agreement (and in any such case, prompt notice thereof shall be provided to the holders of Notes but failure to deliver such notice shall not affect the deletion of such covenant).

SECTION 10. NEGATIVE COVENANTS..

The Company covenants that so long as any of the Notes are outstanding:

Section 10.1. Liens. The Company will not, and will not permit any of its Subsidiaries to, directly or indirectly create, incur, assume or permit to exist (upon the happening of a contingency or otherwise) any Lien on or with respect to any property or asset (including, without limitation, any document or instrument in respect of goods or accounts receivable) of the Company or any such Subsidiary, whether now owned or held or hereafter acquired, or any income or profits therefrom, or assign or otherwise convey any right to receive income or profits, except:

(a) statutory Liens of landlords and Liens of carriers, warehousemen, mechanics, materialmen and other similar Liens, in each case, incurred in the ordinary course of business for sums not yet due and payable or the payment of which is not at the time required by Section 9.4;

(b) Liens (other than any Lien imposed by ERISA) incurred or deposits made in the ordinary course of business (i) in connection with workers' compensation, unemployment insurance and other types of social security or retirement benefits, or (ii) to secure (or to obtain letters of credit that secure) the performance of tenders,

statutory obligations, surety bonds, appeal bonds, bids, leases (other than Capital Leases), performance bonds, purchase, construction or sales contracts and other similar obligations, in each case not incurred or made in connection with the borrowing of money, the obtaining of advances or credit or the payment of the deferred purchase price of property;

(c) leases or subleases granted to others, easements, rights-of-way, restrictions and other similar charges or encumbrances, in each case incidental to, and not interfering with, the ordinary conduct of the business of the Company or any of its Subsidiaries, *provided* that such Liens do not, in the aggregate, materially detract from the value of such property;

(d) any Lien created to secure all or any part of the purchase price, or to secure Debt incurred or assumed to pay all or any part of the purchase price or cost of construction, of tangible property (or any improvement thereon) acquired or constructed by the Company or a Subsidiary after the Execution Date, *provided* that

(i) any such Lien shall extend solely to the item or items of such property (or improvement thereon) so acquired or constructed and, if required by the terms of the instrument originally creating such Lien, other property (or improvement thereon) which is an improvement to or is acquired for specific use in connection with such acquired or constructed property (or improvement thereon) or which is real property being improved by such acquired or constructed property (or improvement thereon),

(ii) the principal amount of the Debt secured by any such Lien shall at no time exceed an amount equal to the lesser of (A) the cost to the Company or such Subsidiary of the property (or improvement thereon) so acquired or constructed and (B) the Fair Market Value (as determined in good faith by the board of directors of the Company) of such property (or improvement thereon) at the time of such acquisition or construction, and

(iii) any such Lien shall be created contemporaneously with, or within 365 days after, the acquisition or construction of such property;

(e) any Lien existing on property of a Person immediately prior to its being consolidated with or merged into the Company or a Subsidiary or its becoming a Subsidiary, or any Lien existing on any property acquired by the Company or any Subsidiary at the time such property is so acquired (whether or not the Debt secured thereby shall have been assumed), *provided* that (i) no such Lien shall have been created or assumed in contemplation of such consolidation or merger or such Person's becoming a Subsidiary or such acquisition of property, and (ii) each such Lien shall extend solely to the item or items of property so acquired and, if required by the terms of the instrument originally creating such Lien, other property which is an improvement to or is acquired for specific use in connection with such acquired property;

(f) Liens for taxes, assessments or other governmental charges which are not yet due and payable or the payment of which is not at the time required by Section 9.4;

(g) any attachment or judgment Lien, unless the judgment it secures shall not, within 30 days after the entry thereof, have been discharged or execution thereof stayed pending appeal;

(h) any Lien renewing, extending or refunding any Lien permitted by paragraph (d) or (e) of this Section 10.1, *provided* that (i) the principal amount of Debt secured by such Lien immediately prior to such extension, renewal or refunding is not increased or the maturity thereof reduced, (ii) such Lien is not extended to any other property, and (iii) immediately after such extension, renewal or refunding no Default or Event of Default would exist; and

(i) other Liens not otherwise permitted by paragraphs (a) through (i), provided that after giving effect to the creation of such Lien and the incurrence of the Indebtedness secured thereby, Priority Debt shall not exceed 10% of Consolidated Assets, and *provided further* that, no such Liens may secure any obligations under the Bank Credit Agreement.

Section 10.2. Merger, Consolidation, Reincorporation, etc. The Company will not consolidate with or merge with or into any other corporation or convey, transfer or lease substantially all of its assets in a single transaction or series of transactions to any Person, *except* the Company may merge with another corporation if (a) the Company is the survivor of such merger, (b) immediately after giving effect to such merger no Default or Event of Default would exist (including, without limitation, a Default or Event of Default under Section 10.1 as at the end of the period of four consecutive fiscal quarters then most recently ended), and (c) immediately after giving effect to such merger, the Company would be permitted under the provisions of this Agreement to incur at least \$1.00 of additional Priority Debt under Section 10.1(i). The Company will not reincorporate or take any other action that might result in the Company's ceasing to be a not-for-profit mutual benefit corporation incorporated under the laws of the State of Arkansas.

Section 10.3. Sale of Assets, Etc. Except as permitted under Section 10.2, the Company will not, and will not permit any of its Subsidiaries to, make any Asset Disposition unless:

(a) in the good faith opinion of the Company, the Asset Disposition is in exchange for consideration having a Fair Market Value at least equal to that of the property exchanged and is in the best interest of the Company or such Subsidiary; and

(b) immediately after giving effect to the Asset Disposition, no Default or Event of Default would exist; and

(c) immediately after giving effect to the Asset Disposition, the Disposition Value of all property that was the subject of any Asset Disposition occurring in any fiscal year would not exceed 10% of Consolidated Assets as of the end of the then most recently ended fiscal year of the Company.

If the Net Proceeds Amount for any Transfer is applied to a Debt Prepayment Application or a Property Reinvestment Application within 365 days after such Transfer, then such Transfer, only for the purpose of determining compliance with subsection (c) of this Section 10.3 as of a date on or after the Net Proceeds Amount is so applied, shall be deemed not to be an Asset Disposition.

Section 10.4. Transactions with Affiliates. The Company will not and will not permit any Subsidiary to enter into directly or indirectly any transaction or group of related transactions (including without limitation the purchase, lease, sale or exchange of properties of any kind or the rendering of any service) with any Affiliate (other than the Company or another Subsidiary), except in the ordinary course and pursuant to the reasonable requirements of the Company's or such Subsidiary's business and upon fair and reasonable terms no less favorable to the Company or such Subsidiary than would be obtainable in a comparable arm's-length transaction with a Person not an Affiliate and in accordance with the Membership Agreement and the requirements of FERC applicable to Regional Transmission Organizations.

Section 10.5. Line of Business. The Company will not, and will not permit any of its Subsidiaries to, engage to any substantial extent in any business other than the businesses in which the Company is engaged on the date of this Agreement as described in the Memorandum and businesses reasonably related thereto or in furtherance thereof, including the business of a Regional Transmission Organization under FERC regulations.

SECTION 11. EVENTS OF DEFAULT.

An "*Event of Default*" shall exist if any of the following conditions or events shall occur and be continuing:

- (a) the Company defaults in the payment of any principal or Make-Whole Amount, if any, on any Note when the same becomes due and payable, whether at maturity or at a date fixed for prepayment or by declaration or otherwise; or
- (b) the Company defaults in the payment of any interest on any Note for more than five Business Days after the same becomes due and payable; or
- (c) the Company defaults in the performance of or compliance with any term contained in Sections 7.1(d), 9.6, 9.7, 9.8 or 10.1 through 10.3, inclusive; or
- (d) the Company defaults in the performance of or compliance with any term contained herein (other than those referred to in paragraphs (a), (b) and (c) of this Section 11) and such default is not remedied within 30 days after the earlier of (i) a Responsible Officer obtaining actual knowledge of such default and (ii) the Company receiving written notice of such default from any holder of a Note (any such written notice to be identified as a "notice of default" and to refer specifically to this paragraph (d) of Section 11); or
- (e) any representation or warranty made in writing by or on behalf of the Company or by any officer of the Company in this Agreement or in any writing furnished

in connection with the transactions contemplated hereby proves to have been false or incorrect in any material respect on the date as of which made; or

(f) (i) the Company or any Subsidiary is in default (as principal or as guarantor or other surety) in the payment of any principal of or premium or make-whole amount or interest on any Indebtedness that is outstanding in an aggregate principal amount of at least \$1,000,000 beyond any period of grace provided with respect thereto, or (ii) the Company or any Subsidiary is in default in the performance of or compliance with any term of any evidence of any Indebtedness in an aggregate outstanding principal amount of at least \$1,000,000 or of any mortgage, indenture or other agreement relating thereto or any other condition exists, and as a consequence of such default or condition such Indebtedness has become, or has been declared, due and payable before its stated maturity or before its regularly scheduled dates of payment, or (iii) as a consequence of the occurrence or continuation of any event or condition (other than the passage of time or the right of the holder of Indebtedness to convert such Indebtedness into equity interests), the Company or any Subsidiary has become obligated to purchase or repay Indebtedness before its regular maturity or before its regularly scheduled dates of payment in an aggregate outstanding principal amount of at least \$1,000,000; or

(g) the Company or any Subsidiary (i) is generally not paying, or admits in writing its inability to pay, its debts as they become due, (ii) files, or consents by answer or otherwise to the filing against it of, a petition for relief or reorganization or arrangement or any other petition in bankruptcy, for liquidation or to take advantage of any bankruptcy, insolvency, reorganization, moratorium or other similar law of any jurisdiction, (iii) makes an assignment for the benefit of its creditors, (iv) consents to the appointment of a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, (v) is adjudicated as insolvent or to be liquidated, or (vi) takes corporate action for the purpose of any of the foregoing; or

(h) a court or Governmental Authority of competent jurisdiction enters an order appointing, without consent by the Company or any of its Subsidiaries, a custodian, receiver, trustee or other officer with similar powers with respect to it or with respect to any substantial part of its property, or constituting an order for relief or approving a petition for relief or reorganization or any other petition in bankruptcy or for liquidation or to take advantage of any bankruptcy or insolvency law of any jurisdiction, or ordering the dissolution, winding-up or liquidation of the Company or any of its Subsidiaries, or any such petition shall be filed against the Company or any of its Subsidiaries and such petition shall not be dismissed within 60 days; or

(i) a final judgment or judgments for the payment of money are rendered against one or more of the Company and its Subsidiaries and which judgments are not, within 30 days after entry thereof, bonded, discharged or stayed pending appeal; or

(j) if (i) any Plan shall fail to satisfy the minimum funding standards of ERISA or the Code for any plan year or part thereof or a waiver of such standards or extension of any amortization period is sought or granted under section 412 of the Code,

(ii) a notice of intent to terminate any Plan shall have been or is reasonably expected to be filed with the PBGC or the PBGC shall have instituted proceedings under ERISA section 4042 to terminate or appoint a trustee to administer any Plan or the PBGC shall have notified the Company or any ERISA Affiliate that a Plan may become a subject of any such proceedings, (iii) the aggregate “amount of unfunded benefit liabilities” (within the meaning of section 4001(a)(18) of ERISA) under all Plans, determined in accordance with Title IV of ERISA, shall exceed \$1,000,000, (iv) the Company or any ERISA Affiliate shall have incurred or is reasonably expected to incur any liability pursuant to Title I or IV of ERISA or the penalty or excise tax provisions of the Code relating to employee benefit plans, (v) the Company or any ERISA Affiliate withdraws from any Multiemployer Plan, or (vi) the Company or any Subsidiary establishes or amends any employee welfare benefit plan that provides post-employment welfare benefits in a manner that would increase the liability of the Company or any Subsidiary thereunder; and any such event or events described in clauses (i) through (vi) above, either individually or together with any other such event or events, could reasonably be expected to have a Material Adverse Effect; or

(k) any withdrawing Member of the Company having a Membership Percentage of 4% or more immediately prior to the effective date of such Member’s withdrawal (a “4% Plus Member”) shall deny or disaffirm in writing its obligation under Section 4.2.2 of the Membership Agreement to pay its Membership Percentage of the Company’s obligation in respect of the Notes (a “Member Denial”) unless the Company shall, within 30 days of receipt by the Company of such Member Denial, initiate appropriate proceedings (under dispute resolution provisions of the Company’s Bylaws, or by action before a court or administrative agency having jurisdiction in the matter) for the purpose of contesting such Member Denial, and thereafter continue to pursue such proceedings in good faith with diligence (the “Dispute Resolution Safeharbor”). Notwithstanding the foregoing, if at any time more than two 4% Plus Members have delivered a Member Denial and the Company is currently involved in related proceedings to contest such Member Denials, the Dispute Resolution Safeharbor shall no longer be available to the Company and a Member Denial of the third withdrawing 4% Plus Member will be an immediate Event of Default; or

(l) (i) any withdrawing Member shall fail or refuse to pay when due any assessment in connection with or after the effective date of its termination as a Member and such refusal could reasonably be expected to have a Material Adverse Effect or (ii) the provisions of the Membership Agreement shall prove to be unenforceable or invalid to require any terminated Member to pay its Membership Percentage of the Company’s obligation in respect of the Notes.

As used in Section 11(j), the terms “*employee benefit plan*” and “*employee welfare benefit plan*” shall have the respective meanings assigned to such terms in section 3 of ERISA.

SECTION 12. REMEDIES ON DEFAULT, ETC.

Section 12.1. Acceleration. (a) If an Event of Default with respect to the Company described in paragraph (g) or (h) of Section 11 has occurred, all the Notes then outstanding shall automatically become immediately due and payable.

(b) If any other Event of Default has occurred and is continuing, the Required Holders may at any time at its or their option, by notice or notices to the Company, declare all the Notes then outstanding to be immediately due and payable.

(c) If any Event of Default described in paragraph (a) or (b) of Section 11 has occurred and is continuing, any holder or holders of Notes at the time outstanding affected by such Event of Default may at any time, at its or their option, by notice or notices to the Company, declare all the Notes held by it or them to be immediately due and payable.

Upon any Notes becoming due and payable under this Section 12.1, whether automatically or by declaration, such Notes will forthwith mature and the entire unpaid principal amount of such Notes, plus (i) all accrued and unpaid interest thereon (including, but not limited to, interest accrued thereon at the Default Rate) and (ii) the Make-Whole Amount determined in respect of such principal amount (to the full extent permitted by applicable law), shall all be immediately due and payable, in each and every case without presentment, demand, protest or further notice, all of which are hereby waived. The Company acknowledges, and the parties hereto agree, that each holder of a Note has the right to maintain its investment in the Notes free from repayment by the Company (except as herein specifically provided for), and that the provision for payment of a Make-Whole Amount by the Company in the event that the Notes are prepaid or are accelerated as a result of an Event of Default, is intended to provide compensation for the deprivation of such right under such circumstances.

Section 12.2. Other Remedies. If any Default or Event of Default has occurred and is continuing, and irrespective of whether any Notes have become or have been declared immediately due and payable under Section 12.1, the holder of any Note at the time outstanding may proceed to protect and enforce the rights of such holder by an action at law, suit in equity or other appropriate proceeding, whether for the specific performance of any agreement contained herein or in any Note, or for an injunction against a violation of any of the terms hereof or thereof, or in aid of the exercise of any power granted hereby or thereby or by law or otherwise.

Section 12.3. Rescission. At any time after any Notes have been declared due and payable pursuant to clause (b) or (c) of Section 12.1, the holders of not less than 51% in principal amount of the Notes then outstanding, by written notice to the Company, may rescind and annul any such declaration and its consequences if (a) the Company has paid all overdue interest on the Notes, all principal of and Make-Whole Amount, if any, on any Notes that are due and payable and are unpaid other than by reason of such declaration, and all interest on such overdue principal and Make-Whole Amount, if any, and (to the extent permitted by applicable law) any overdue interest in respect of the Notes, at the Default Rate, (b) neither the Company nor any other Person shall have paid any amounts which have become due solely by reason of such declaration, (c) all Events of Default and Defaults, other than non-payment of amounts that have become due solely by reason of such declaration, have been cured or have been waived pursuant

to Section 17, and (d) no judgment or decree has been entered for the payment of any monies due pursuant hereto or to the Notes. No rescission and annulment under this Section 12.3 will extend to or affect any subsequent Event of Default or Default or impair any right consequent thereon.

Section 12.4. No Waivers or Election of Remedies, Expenses, Etc. No course of dealing and no delay on the part of any holder of any Note in exercising any right, power or remedy shall operate as a waiver thereof or otherwise prejudice such holder's rights, powers or remedies. No right, power or remedy conferred by this Agreement or by any Note upon any holder thereof shall be exclusive of any other right, power or remedy referred to herein or therein or now or hereafter available at law, in equity, by statute or otherwise. Without limiting the obligations of the Company under Section 15, the Company will pay to the holder of each Note on demand such further amount as shall be sufficient to cover all costs and expenses of such holder incurred in any enforcement or collection under this Section 12, including, without limitation, reasonable attorneys' fees, expenses and disbursements.

SECTION 13. REGISTRATION; EXCHANGE; SUBSTITUTION OF NOTES.

Section 13.1. Registration of Notes. The Company shall keep at its principal executive office a register for the registration and registration of transfers of Notes. The name and address of each holder of one or more Notes, each transfer thereof and the name and address of each transferee of one or more Notes shall be registered in such register. Prior to due presentment for registration of transfer, the Person in whose name any Note shall be registered shall be deemed and treated as the owner and holder thereof for all purposes hereof, and the Company shall not be affected by any notice or knowledge to the contrary. The Company shall give to any holder of a Note that is an Institutional Investor promptly upon request therefor, a complete and correct copy of the names and addresses of all registered holders of Notes.

Section 13.2. Transfer and Exchange of Notes. Upon surrender of any Note to the Company at the address and to the attention of the designated officer (all as specified in Section 18(iv)), for registration of transfer or exchange (and in the case of a surrender for registration of transfer accompanied by a written instrument of transfer duly executed by the registered holder of such Note or such holder's attorney duly authorized in writing and accompanied by the relevant name, address and other information for notices of each transferee of such Note or part thereof), within ten Business Days thereafter, the Company shall execute and deliver, at the Company's expense (except as provided below), one or more new Notes (as requested by the holder thereof) of the same series (and of the same tranche if such series has separate tranches) in exchange therefor, in an aggregate principal amount equal to the unpaid principal amount of the surrendered Note. Each such new Note shall be payable to such Person as such holder may request and shall be substantially in the form of the Note of such series originally issued hereunder or pursuant to any Supplement. Each such new Note shall be dated and bear interest from the date to which interest shall have been paid on the surrendered Note or dated the date of the surrendered Note if no interest shall have been paid thereon. The Company may require payment of a sum sufficient to cover any stamp tax or governmental charge imposed in respect of any such transfer of Notes. Notes shall not be transferred in denominations of less than \$1,000,000, *provided* that if necessary to enable the registration of transfer by a holder of its entire holding of Notes, one Note may be in a denomination of less than \$1,000,000. Any

transferee, by its acceptance of a Note registered in its name (or the name of its nominee), shall be deemed to have made the representation set forth in Section 6.2.

Section 13.3. Replacement of Notes. Upon receipt by the Company at the address and to the attention of the designated officer (all as specified in Section 18(iv)) of evidence reasonably satisfactory to it of the ownership of and the loss, theft, destruction or mutilation of any Note (which evidence shall be, in the case of an Institutional Investor, notice from such Institutional Investor of such ownership and such loss, theft, destruction or mutilation), and

(a) in the case of loss, theft or destruction, of indemnity reasonably satisfactory to it (*provided* that if the holder of such Note is, or is a nominee for, an original Purchaser or another holder of a Note with a minimum net worth of at least the unpaid principal amount of such Note, such Person's own unsecured agreement of indemnity shall be deemed to be satisfactory), or

(b) in the case of mutilation, upon surrender and cancellation thereof,

the Company at its own expense, within five Business Days thereafter, shall execute and deliver, in lieu thereof, a new Note, dated and bearing interest from the date to which interest shall have been paid on such lost, stolen, destroyed or mutilated Note or dated the date of such lost, stolen, destroyed or mutilated Note if no interest shall have been paid thereon.

SECTION 14. PAYMENTS ON NOTES.

Section 14.1. Place of Payment. Subject to Section 14.2, payments of principal, Make-Whole Amount, if any, and interest becoming due and payable on the Notes shall be made in New York, New York at the principal office of Banc of America Securities LLC in such jurisdiction. The Company may at any time, by notice to each holder of a Note, change the place of payment of the Notes so long as such place of payment shall be either the principal office of the Company in such jurisdiction or the principal office of a bank or trust company in such jurisdiction.

Section 14.2. Home Office Payment. So long as any Purchaser or Additional Purchaser or such Purchaser's nominee or such Additional Purchaser's nominee shall be the holder of any Note, and notwithstanding anything contained in Section 14.1 or in such Note to the contrary, the Company will pay all sums becoming due on such Note for principal, Make-Whole Amount and interest by the method and at the address specified for such purpose for such Purchaser on Schedule A hereto or, in the case of any Additional Purchaser, Schedule A attached to any Supplement pursuant to which such Additional Purchaser is a party, or by such other method or at such other address as such Purchaser or Additional Purchaser shall have from time to time specified to the Company in writing for such purpose, without the presentation or surrender of such Note or the making of any notation thereon, except that upon written request of the Company made concurrently with or reasonably promptly after payment or prepayment in full of any Note, such Purchaser or Additional Purchaser shall surrender such Note for cancellation, reasonably promptly after any such request, to the Company at its principal executive office or at the place of payment most recently designated by the Company pursuant to Section 14.1. Prior to any sale or other disposition of any Note held by any Purchaser or Additional Purchaser or

such Person's nominee, such Person will, at its election, either endorse thereon the amount of principal paid thereon and the last date to which interest has been paid thereon or surrender such Note to the Company in exchange for a new Note or Notes pursuant to Section 13.2. The Company will afford the benefits of this Section 14.2 to any Institutional Investor that is the direct or indirect transferee of any Note.

SECTION 15. EXPENSES, ETC.

Section 15.1. Transaction Expenses. Whether or not the transactions contemplated hereby are consummated, the Company will pay all costs and expenses (including reasonable attorneys' fees of a special counsel for the Purchasers or any Additional Purchasers and, if reasonably required by the Required Holders, local or other counsel) incurred by each Purchaser and each Additional Purchaser and each other holder of a Note in connection with such transactions and in connection with any amendments, waivers or consents under or in respect of this Agreement (including any Supplement) or the Notes (whether or not such amendment, waiver or consent becomes effective), including, without limitation: (a) the costs and expenses incurred in enforcing or defending (or determining whether or how to enforce or defend) any rights under this Agreement (including any Supplement) or the Notes or in responding to any subpoena or other legal process or informal investigative demand issued in connection with this Agreement (including any Supplement) or the Notes, or by reason of being a holder of any Note, (b) the costs and expenses, including financial advisors' fees, incurred in connection with the insolvency or bankruptcy of the Company or any Subsidiary or in connection with any work-out or restructuring of the transactions contemplated hereby and by the Notes and (c) the costs and expenses incurred in connection with the initial filing of this Agreement and all related documents and financial information and all subsequent annual and interim filings of documents and financial information related to this Agreement, with the SVO. The Company will pay, and will save each Purchaser, each Additional Purchaser and each other holder of a Note harmless from, all claims in respect of any fees, costs or expenses if any, of brokers and finders (other than those, if any, retained by a Purchaser or other holder in connection with its purchase of the Notes).

Section 15.2. Survival. The obligations of the Company under this Section 15 will survive the payment or transfer of any Note, the enforcement, amendment or waiver of any provision of this Agreement, any Supplement or the Notes, and the termination of this Agreement or any Supplement.

SECTION 16. SURVIVAL OF REPRESENTATIONS AND WARRANTIES; ENTIRE AGREEMENT.

All representations and warranties contained herein or in any Supplement shall survive the execution and delivery of this Agreement, such Supplement and the Notes, the purchase or transfer by any Purchaser or any Additional Purchaser of any such Note or portion thereof or interest therein and the payment of any Note may be relied upon by any subsequent holder of any such Note, regardless of any investigation made at any time by or on behalf of any Purchaser or any Additional Purchaser or any other holder of any such Note. All statements contained in any certificate or other instrument delivered by or on behalf of the Company pursuant to this Agreement or any Supplement shall be deemed representations and warranties of the Company under this Agreement; *provided*, that the representations and warranties contained in any

Supplement shall only be made for the benefit of the Additional Purchasers which are party to such Supplement and the holders of the Notes issued pursuant to such Supplement, including subsequent holders of any Note issued pursuant to such Supplement, and shall not require the consent of the holders of existing Notes. Subject to the preceding sentence, this Agreement (including every Supplement) and the Notes embody the entire agreement and understanding between the Purchasers and the Additional Purchasers and the Company and supersede all prior agreements and understandings relating to the subject matter hereof.

SECTION 17. AMENDMENT AND WAIVER.

Section 17.1. Requirements. (a) This Agreement (including any Supplement) and the Notes may be amended, and the observance of any term hereof or of the Notes may be waived (either retroactively or prospectively), with (and only with) the written consent of the Company and the Required Holders, except that (i) no amendment or waiver of any of the provisions of Sections 1, 2, 3, 4, 5, 6 or 21 hereof or the corresponding provision of any Supplement, or any defined term (as it is used in any such Section or such corresponding provision of any Supplement), will be effective as to any holder of Notes unless consented to by such holder of Notes in writing, and (ii) no such amendment or waiver may, without the written consent of all of the holders of Notes at the time outstanding affected thereby, (A) subject to the provisions of Section 12 relating to acceleration or rescission, change the amount or time of any prepayment or payment of principal of, or reduce the rate or change the time of payment or method of computation of interest (if such change results in a decrease in the interest rate) or of the Make-Whole Amount on, the Notes, (B) change the percentage of the principal amount of the Notes the holders of which are required to consent to any such amendment or waiver, or (C) amend any of Sections 8, 11(a), 11(b), 12, 17 or 20.

(b) *Supplements.* Notwithstanding anything to the contrary contained herein, the Company may enter into any Supplement providing for the issuance of one or more series of Additional Notes consistent with Sections 2.2 hereof without obtaining the consent of any holder of any other series of Notes.

Section 17.2. Solicitation of Holders of Notes.

(a) *Solicitation.* The Company will provide each holder of the Notes (irrespective of the amount of Notes then owned by it) with sufficient information, sufficiently far in advance of the date a decision is required, to enable such holder to make an informed and considered decision with respect to any proposed amendment, waiver or consent in respect of any of the provisions hereof, any Supplement or of the Notes. The Company will deliver executed or true and correct copies of each amendment, waiver or consent effected pursuant to the provisions of this Section 17 to each holder of outstanding Notes promptly following the date on which it is executed and delivered by, or receives the consent or approval of, the requisite holders of Notes.

(b) *Payment.* The Company will not directly or indirectly pay or cause to be paid any remuneration, whether by way of supplemental or additional interest, fee or otherwise, or grant any security or provide other credit support, to any holder of Notes as consideration for or as an inducement to the entering into by any holder of Notes of any waiver or amendment of any of the terms and provisions hereof or any Supplement unless such remuneration is concurrently paid, or

security is concurrently granted or other credit support is concurrently provided, on the same terms, ratably to each holder of Notes then outstanding even if such holder did not consent to such waiver or amendment.

Section 17.3. Binding Effect, Etc. Any amendment or waiver consented to as provided in this Section 17 applies equally to all holders of Notes and is binding upon them and upon each future holder of any Note and upon the Company without regard to whether such Note has been marked to indicate such amendment or waiver. No such amendment or waiver will extend to or affect any obligation, covenant, agreement, Default or Event of Default not expressly amended or waived or impair any right consequent thereon. No course of dealing between the Company and the holder of any Note nor any delay in exercising any rights hereunder or under any Note shall operate as a waiver of any rights of any holder of such Note. As used herein, the term “this Agreement” and references thereto shall mean this Agreement as it may from time to time be amended or supplemented.

Section 17.4. Notes Held by Company, Etc. Solely for the purpose of determining whether the holders of the requisite percentage of the aggregate principal amount of Notes then outstanding approved or consented to any amendment, waiver or consent to be given under this Agreement or the Notes, or have directed the taking of any action provided herein or in the Notes to be taken upon the direction of the holders of a specified percentage of the aggregate principal amount of Notes then outstanding, Notes directly or indirectly owned by the Company or any of its Affiliates shall be deemed not to be outstanding.

SECTION 18. NOTICES.

All notices and communications provided for hereunder shall be in writing and sent (a) by telefacsimile if the sender on the same day sends a confirming copy of such notice by a recognized overnight delivery service (charges prepaid), or (b) by registered or certified mail with return receipt requested (postage prepaid), or (c) by a recognized overnight delivery service (with charges prepaid). Any such notice must be sent:

(i) if to a Purchaser or such Purchaser’s nominee, to such Purchaser or such Purchaser’s nominee at the address specified for such communications in Schedule A to this Agreement, or at such other address as such Purchaser or such Purchaser’s nominee shall have specified to the Company in writing pursuant to this Section 18;

(ii) if to an Additional Purchaser or such Additional Purchaser’s nominee, to such Additional Purchaser or such Additional Purchaser’s nominee at the address specified for such communications in Schedule A to any Supplement, or at such other address as such Additional Purchaser or such Additional Purchaser’s nominee shall have specified to the Company in writing,

(iii) if to any other holder of any Note, to such holder at such address as such other holder shall have specified to the Company in writing pursuant to this Section 18, or

(iv) if to the Company, to the Company at its address set forth at the beginning hereof to the attention of Director, Corporate Services, or at such other address as the Company shall have specified to the holder of each Note in writing.

Notices under this Section 18 will be deemed given only when actually received.

SECTION 19. REPRODUCTION OF DOCUMENTS.

This Agreement and all documents relating thereto, including, without limitation, (a) consents, waivers and modifications that may hereafter be executed, (b) documents received by any Purchaser at any Closing or by any Additional Purchaser (except the Notes themselves), and (c) financial statements, certificates and other information previously or hereafter furnished to any Purchaser or any Additional Purchaser, may be reproduced by such Purchaser or such Additional Purchaser by any photographic, photostatic, electronic, digital, microfilm, microcard, miniature photographic or other similar process and such Purchaser or such Additional Purchaser may destroy any original document so reproduced. The Company agrees and stipulates that, to the extent permitted by applicable law, any such reproduction shall be admissible in evidence as the original itself in any judicial or administrative proceeding (whether or not the original is in existence and whether or not such reproduction was made by such Purchaser or such Additional Purchaser in the regular course of business) and any enlargement, facsimile or further reproduction of such reproduction shall likewise be admissible in evidence. This Section 19 shall not prohibit the Company or any other holder of Notes from contesting any such reproduction to the same extent that it could contest the original, or from introducing evidence to demonstrate the inaccuracy of any such reproduction.

SECTION 20. CONFIDENTIAL INFORMATION.

For the purposes of this Section 20, "*Confidential Information*" means information delivered to any Purchaser or any Additional Purchaser by or on behalf of the Company or any Subsidiary in connection with the transactions contemplated by or otherwise pursuant to this Agreement that is proprietary in nature and that was clearly marked or labeled or otherwise adequately identified when received by such Purchaser as being confidential information of the Company or such Subsidiary, *provided* that such term does not include information that (a) was publicly known or otherwise known to such Purchaser or such Additional Purchaser prior to the time of such disclosure, (b) subsequently becomes publicly known through no act or omission by such Purchaser or such Additional Purchaser or any Person acting on such Purchaser's or such Additional Purchaser's behalf, (c) otherwise becomes known to such Purchaser or such Additional Purchaser other than through disclosure by the Company or any Subsidiary or (d) constitutes financial statements delivered to such Purchaser or such Additional Purchaser under Section 7.1 that are otherwise publicly available. Each Purchaser and each Additional Purchaser will maintain the confidentiality of such Confidential Information in accordance with procedures adopted by such Purchaser or such Additional Purchaser in good faith to protect confidential information of third parties delivered to such Purchaser or such Additional Purchaser, *provided* that such Purchaser or such Additional Purchaser may deliver or disclose Confidential Information to (i) such Purchaser's or such Additional Purchaser's directors, trustees, officers, employees, agents, attorneys and affiliates (to the extent such disclosure reasonably relates to the administration of the investment represented by such Purchaser's or

such Additional Purchaser's Notes), (ii) such Purchaser's or such Additional Purchaser's financial advisors and other professional advisors who agree to hold confidential the Confidential Information substantially in accordance with the terms of this Section 20, (iii) any other holder of any Note, (iv) any Institutional Investor to which such Purchaser or such Additional Purchaser sells or offers to sell such Note or any part thereof or any participation therein (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this Section 20), (v) any Person from which such Purchaser or such Additional Purchaser offers to purchase any security of the Company (if such Person has agreed in writing prior to its receipt of such Confidential Information to be bound by the provisions of this Section 20), (vi) any federal or state regulatory authority having jurisdiction over such Purchaser or such Additional Purchaser, (vii) the NAIC or any similar organization, or any nationally recognized rating agency that requires access to information about such Purchaser's or such Additional Purchaser's investment portfolio, or (viii) any other Person to which such delivery or disclosure may be necessary or appropriate (w) to effect compliance with any law, rule, regulation or order applicable to such Purchaser or such Additional Purchaser, (x) in response to any subpoena or other legal process, (y) in connection with any litigation to which such Purchaser or such Additional Purchaser is a party or (z) if an Event of Default has occurred and is continuing, to the extent such Purchaser or such Additional Purchaser may reasonably determine such delivery and disclosure to be necessary or appropriate in the enforcement or for the protection of the rights and remedies under such Purchaser's or such Additional Purchaser's Notes, the Subsidiary Guaranty (if any) and this Agreement. Each holder of a Note, by its acceptance of a Note, will be deemed to have agreed to be bound by and to be entitled to the benefits of this Section 20 as though it were a party to this Agreement. On reasonable request by the Company in connection with the delivery to any holder of a Note of information required to be delivered to such holder under this Agreement or requested by such holder (other than a holder that is a party to this Agreement or its nominee), such holder will enter into an agreement with the Company embodying the provisions of this Section 20.

SECTION 21. SUBSTITUTION OF PURCHASER.

Each Purchaser and each Additional Purchaser shall have the right to substitute any one of its Affiliates as the purchaser of the Notes that it has agreed to purchase hereunder, by written notice to the Company, which notice shall be signed by both such Purchaser or such Additional Purchaser and such Affiliate, shall contain such Affiliate's agreement to be bound by this Agreement and shall contain a confirmation by such Affiliate of the accuracy with respect to it of the representations set forth in Section 6. Upon receipt of such notice, any reference to such Purchaser or such Additional Purchaser in this Agreement (other than in this Section 21), shall be deemed to refer to such Affiliate in lieu of such original Purchaser or such original Additional Purchaser. In the event that such Affiliate is so substituted as a Purchaser or an Additional Purchaser hereunder and such Affiliate thereafter transfers to such original Purchaser or such original Additional Purchaser all of the Notes then held by such Affiliate, upon receipt by the Company of notice of such transfer, any reference to such Affiliate as a "Purchaser" or an "Additional Purchaser" in this Agreement (other than in this Section 21), shall no longer be deemed to refer to such Affiliate, but shall refer to such original Purchaser or such original Additional Purchaser, and such original Purchaser or such original Additional Purchaser shall again have all the rights of an original holder of the Notes under this Agreement.

SECTION 22. MISCELLANEOUS.

Section 22.1. Successors and Assigns. All covenants and other agreements contained in this Agreement (including all covenants and other agreements contained in any Supplement) by or on behalf of any of the parties hereto bind and inure to the benefit of their respective successors and assigns (including, without limitation, any subsequent holder of a Note) whether so expressed or not.

Section 22.2. Payments Due on Non-Business Days. Anything in this Agreement or the Notes to the contrary notwithstanding, any payment of principal of or Make-Whole Amount or interest on any Note that is due on a date other than a Business Day shall be made on the next succeeding Business Day without including the additional days elapsed in the computation of the interest payable on such next succeeding Business Day; provided that if the maturity date of any Note is a date other than a Business Day, the payment otherwise due on such maturity date shall be made on the next succeeding Business Day and shall include the additional days elapsed in the computation of interest payable on such next succeeding Business Day.

Section 22.3. Accounting Terms. All accounting terms used herein which are not expressly defined in this Agreement have the meanings respectively given to them in accordance with GAAP. Except as otherwise specifically provided herein, (i) all computations made pursuant to this Agreement shall be made in accordance with GAAP, and (ii) all financial statements shall be prepared in accordance with GAAP. For purposes of determining compliance with the covenants set out in this Agreement, any election by the Company to measure an item of Indebtedness using fair value (as permitted by Statement of Financial Accounting Standards Nos. 157 or 159) shall be disregarded and such determination shall be made by valuing indebtedness at 100% of the outstanding principal thereof.

Section 22.4. Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall (to the full extent permitted by law) not invalidate or render unenforceable such provision in any other jurisdiction.

Section 22.5. Construction. Each covenant contained herein shall be construed (absent express provision to the contrary) as being independent of each other covenant contained herein, so that compliance with any one covenant shall not (absent such an express contrary provision) be deemed to excuse compliance with any other covenant. Where any provision herein refers to action to be taken by any Person, or which such Person is prohibited from taking, such provision shall be applicable whether such action is taken directly or indirectly by such Person.

For the avoidance of doubt, all Schedules and Exhibits attached to this Agreement shall be deemed to be a part hereof.

Section 22.6. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be an original but all of which together shall constitute one instrument. Each counterpart may consist of a number of copies hereof, each signed by less than all, but together signed by all, of the parties hereto.

Section 22.7. Governing Law. This Agreement shall be construed and enforced in accordance with, and the rights of the parties shall be governed by, the law of the State of New York excluding choice-of-law principles of the law of such State that would permit the application of the laws of a jurisdiction other than such State.

Section 22.8. Limit on Default Rate. If courts were to determine that the Company has paid or would be obligated to pay interest at an excessive rate, which would exceed the rate allowed by applicable law, then (i) the Company shall not be obligated to pay interest to the extent it exceeds the interest that would be payable at the maximum rate allowed by applicable law; (ii) any such excess interest that has been paid to the Company shall be refunded, and (iii) the effective rate of interest shall be deemed automatically reduced to the maximum rate allowed by applicable law.

Section 22.9. Jurisdiction and Process; Waiver of Jury Trial. (a) The Company irrevocably submits to the non-exclusive jurisdiction of any New York State or federal court sitting in the Borough of Manhattan, The City of New York, over any suit, action or proceeding arising out of or relating to this Agreement or the Notes. To the fullest extent permitted by applicable law, the Company irrevocably waives and agrees not to assert, by way of motion, as a defense or otherwise, any claim that it is not subject to the jurisdiction of any such court, any objection that it may now or hereafter have to the laying of the venue of any such suit, action or proceeding brought in any such court and any claim that any such suit, action or proceeding brought in any such court has been brought in an inconvenient forum.

(b) The Company consents to process being served by or on behalf of any holder of Notes in any suit, action or proceeding of the nature referred to in Section 22.9(a) by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, return receipt requested, to it at its address specified in Section 18 or at such other address of which such holder shall then have been notified pursuant to said Section. The Company agrees that such service upon receipt (i) shall be deemed in every respect effective service of process upon it in any such suit, action or proceeding and (ii) shall, to the fullest extent permitted by applicable law, be taken and held to be valid personal service upon and personal delivery to it. Notices hereunder shall be conclusively presumed received as evidenced by a delivery receipt furnished by the United States Postal Service or any reputable commercial delivery service.

(c) Nothing in this Section 22.9 shall affect the right of any holder of a Note to serve process in any manner permitted by law, or limit any right that the holders of any of the Notes may have to bring proceedings against the Company in the courts of any appropriate jurisdiction or to enforce in any lawful manner a judgment obtained in one jurisdiction in any other jurisdiction.

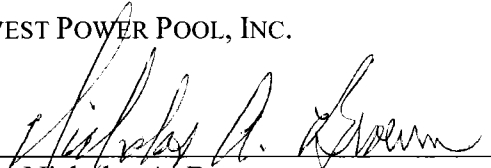
(d) THE PARTIES HERETO HEREBY WAIVE TRIAL BY JURY IN ANY ACTION BROUGHT ON OR WITH RESPECT TO THIS AGREEMENT, THE NOTES OR ANY OTHER DOCUMENT EXECUTED IN CONNECTION HEREWITH OR THEREWITH.

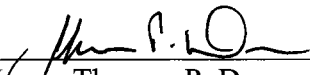
* * * * *

The execution hereof by the Purchasers shall constitute a contract among the Company and the Purchasers for the uses and purposes hereinabove set forth. This Agreement may be executed in any number of counterparts, each executed counterpart constituting an original but all together only one agreement.

Very truly yours,

SOUTHWEST POWER POOL, INC.

By 
Name: Nicholas A. Brown
Title: President and Chief Executive Office

By 
Name: Thomas P. Dunn
Title: Chief Financial Officer

Accepted as of the date first written above.

NEW YORK LIFE INSURANCE COMPANY

By Stuart Ashton
Name: Stuart Ashton
Title: Corporate Vice President

NEW YORK LIFE INSURANCE AND ANNUITY
CORPORATION

By New York Life Investment Management
LLC, its Investment Manager

By Stuart Ashton
Name: Stuart Ashton
Title: Director

FORETHOUGHT LIFE INSURANCE COMPANY

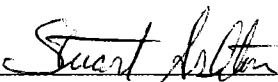
By New York Life Investment Management
LLC, its Investment Manager

By Stuart Ashton
Name: Stuart Ashton
Title: Director

Accepted as of the date first written above.

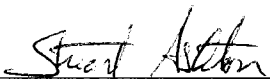
NEW YORK LIFE INSURANCE AND ANNUITY
CORPORATION INSTITUTIONALLY OWNED LIFE
INSURANCE SEPARATE ACCOUNT (BOLI 30D)

By New York Life Investment Management
LLC, its Investment Manager

By 
Name: Stuart Ashton
Title: Director

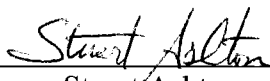
NEW YORK LIFE INSURANCE AND ANNUITY
CORPORATION INSTITUTIONALLY OWNED LIFE
INSURANCE SEPARATE ACCOUNT (BOLI 30C)

By New York Life Investment Management
LLC, its Investment Manager

By 
Name: Stuart Ashton
Title: Director

NEW YORK LIFE INSURANCE AND ANNUITY
CORPORATION INSTITUTIONALLY OWNED LIFE
INSURANCE SEPARATE ACCOUNT (BOLI 3-2)

By New York Life Investment Management
LLC, its Investment Manager

By 
Name: Stuart Ashton
Title: Director

Accepted as of the date first written above.

NEW YORK LIFE INSURANCE AND ANNUITY
CORPORATION INSTITUTIONALLY OWNED LIFE
INSURANCE SEPARATE ACCOUNT (BOLI 30E)

By New York Life Investment Management
LLC, its Investment Manager

By 
Name: Stuart Ashton
Title: Director

Accepted as of the date first written above.

THRIVENT FINANCIAL FOR LUTHERANS

By Patricia Eitrheim

Name: Patricia Eitrheim

Title: Director

ME

Accepted as of the date first written above.

JOHN HANCOCK LIFE INSURANCE COMPANY
(U.S.A.)

By 

Name: Gerald C. Hanrahan

Title: Managing Director

| NAME OF AND ADDRESS OF PURCHASER | SERIES OF NOTES TO BE PURCHASED | PRINCIPAL AMOUNT |
|---|---------------------------------------|---------------------|
| NEW YORK LIFE INSURANCE COMPANY | B | \$7,300,000 |
| c/o New York Life Investment Management LLC | C | \$23,700,000 |
| 51 Madison Avenue | | |
| 2nd Floor, Room 208 | | |
| New York, New York 10010 | | |
| Attention: Fixed Income Investors Group, | | |
| Private Finance, 2 nd Floor | | |
| Fax Number: (212) 447-4122 | | |

Payments

All payments by wire or intrabank transfer of immediately available funds to:

JPMorgan Chase Bank
New York, New York 10019
ABA #021-000-021
Credit: New York Life Insurance Company
General Account No. 008-9-00687

With sufficient information (including issuer, PPN number, interest rate, maturity and whether payment is of principal, premium, or interest) to identify the source and application of such funds.

Notices

All notices of payments, written confirmations of such wire transfers and any audit confirmation:

New York Life Insurance Company
c/o New York Life Investment Management LLC
51 Madison Avenue
2nd Floor, Room 208
New York, New York 10010-1603
Attention: Securities Operations, Private Group, 2nd Floor
Fax Number: (908) 840-3385

with a copy sent electronically to:

FIIGLibrary@nylim.com
TraditionalPVtOps@nylim.com

All other notices and communications to be addressed as first provided above, with a copy sent electronically to: FIIGLibrary@nylim.com and TraditionalPVtOps@nylim.com, and with a copy of any notices regarding defaults or Events of Default under the operative documents to: Attention: Office of the General Counsel, Investment Section, Room 1016, Fax Number: (212) 576-8340.

Name of Nominee in which Notes are to be issued: None

Taxpayer I.D. Number: 13-5582869

Physical Delivery

New York Life Investment Management LLC
51 Madison Avenue, Room 1016M
New York, NY 10010
Attn: Michael Boyd, Director & Associate General Counsel
Phone: (212) 576-6755

| NAME OF AND ADDRESS OF PURCHASER | SERIES OF NOTES TO BE PURCHASED | PRINCIPAL AMOUNT |
|--|---------------------------------------|---------------------|
| NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION | B | \$6,300,000 |
| c/o New York Life Investment Management LLC | C | \$21,000,000 |
| 51 Madison Avenue | | |
| 2nd Floor, Room 208 | | |
| New York, New York 10010-1603 | | |
| Attention: Fixed Income Investors Group, | | |
| Private Finance, 2 nd Floor | | |
| Fax Number: (212) 447-4122 | | |

Payments

All payments by wire or intrabank transfer of immediately available funds to:

JPMorgan Chase Bank
New York, New York
ABA #021-000-021
Credit: New York Life Insurance and Annuity Corporation
General Account No. 323-8-47382

With sufficient information (including issuer, PPN number, interest rate, maturity and whether payment is of principal, premium, or interest) to identify the source and application of such funds.

Notices

All notices of payments, written confirmations of such wire transfers and any audit confirmation:

New York Life Insurance and Annuity Corporation
c/o New York Life Investment Management LLC
51 Madison Avenue
2nd Floor, Room 208
New York, New York 10010-1603
Attention: Securities Operation, Private Group, 2nd Floor
Fax Number: (908) 840-3385

with a copy sent electronically to:

FIIGLibrary@nylim.com
TraditionalPVtOps@nylim.com

All other notices and communications to be addressed as first provided above, with a copy sent electronically to: FIIGLibrary@nylim.com and TraditionalPVtOps@nylim.com, and with a copy of any notices regarding defaults or Events of Default under the operative documents to: Attention: Office of the General Counsel, Investment Section, Room 1016, Fax Number: (212) 576-8340.

Name of Nominee in which Notes are to be issued: None

Taxpayer I.D. Number: 13-3044743

Physical Delivery

New York Life Investment Management LLC
51 Madison Avenue, Room 1016M
New York, NY 10010
Attn: Michael Boyd, Director & Associate General Counsel
Phone: (212) 576-6755

| NAME OF AND ADDRESS OF PURCHASER | SERIES OF NOTES TO BE PURCHASED | PRINCIPAL AMOUNT |
|--|---------------------------------------|---------------------|
| FORETHOUGHT LIFE INSURANCE COMPANY c/o New York Life Investment Management LLC 51 Madison Avenue New York, New York 10010-1603 Attention: Fixed Income Investors Group, Private Finance, 2 nd Floor Fax Number: (212) 447-4122 | B | \$4,600,000 |

Payments

All payments by wire or intrabank transfer of immediately available funds to:

State Street Bank & Trust Company
Boston, MA
ABA #011000028
DDA #00539841
Attn: Mutual Funds
FLIC-PRV2
Fund #3N2Z
Ref: Forethought Life Insurance
Contact: Deborah Hartner (Phone: 816-871-9218)

Notices

All notices relating to payments, written confirmations of such wire transfers and any audit confirmation:

Forethought Life Insurance Company
Attn: Russell L. Jackson, Director, Investment Accounting
300 North Meridian Street, Suite 1800
Indianapolis, IN 46204
Phone: (317) 223-2749
Email: russell.jackson@forethought.com

with a copy to:

State Street Bank
Attn: Deborah Hartner, Account Manager
801 Pennsylvania Avenue
Kansas City, MO 64105
Phone: (816) 871-9218
Email: DSHartner@statestreet.com

And a copy to:

New York Life Investment Management LLC
51 Madison Avenue
New York, New York 10010
Attention: Private Operations
Fax Number: 908-840-3385
Email: NYLIM_PVT_OPS@NYLIM.com

All other notices and communications to be addressed as first provided above, with a copy sent electronically to: FIIGLibrary@nylim.com and with a copy of any notices regarding defaults or Events of Default under the operative documents to: Attention: Office of the General Counsel, Investment Section, Room 1016, Fax Number: (212) 576-8340.

Name of Nominee in which Notes are to be issued: None

Taxpayer I.D. Number: 06-1016329

Physical Delivery

DTC/New York Window
55 Water Street
New York, NY 10041
Attn: Robert Mendez
Ref: SSB Fund #3N2Z

With a copy of the Note to:
Camille De Rosa
New York Life Investments
Office of the General Counsel
51 Madison Avenue, Room 1016
New York, NY 10010
Phone: (212) 576-6643

Custodian Contact:
State Street Bank
Attn: Deborah Hartner, Account Manager
801 Pennsylvania Avenue
Kansas City, MO 64105
Phone: (816) 871-9218 / Fax Number: (816) 871-9554
Email: DSHartner@statestreet.com

| NAME OF AND ADDRESS OF PURCHASER | SERIES OF NOTES TO BE PURCHASED | PRINCIPAL AMOUNT |
|--|---------------------------------------|---------------------|
| NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION INSTITUTIONALLY OWNED LIFE INSURANCE SEPARATE ACCOUNT c/o New York Life Investment Management LLC 51 Madison Avenue 2nd Floor, Room 208 New York, New York 10010-1603 Attention: Fixed Income Investors Group, Private Finance, 2nd Floor Fax Number: (212) 447-4122 | C | \$3,600,000 |

Payments

All payments by wire or intrabank transfer of immediately available funds to:

JPMorgan Chase Bank
New York, New York
ABA #021-000-021
Credit: NYLIAC SEPARATE BOLI 30D (1583)
General Account Number 860-3-18807

With sufficient information (including issuer, PPN number, interest rate, maturity and whether payment is of principal, premium, or interest) to identify the source and application of such funds.

Notices

All notices of payments, written confirmations of such wire transfers and any audit confirmation:

New York Life Insurance and Annuity Corporation
Institutionally Owned Life Insurance Separate Account
c/o New York Life Investment Management LLC
51 Madison Avenue
2nd Floor, Room 208
New York, New York 10010-1603
Attention: Securities Operation, Private Group, 2nd Floor
Fax Number: (908) 840-3385

with a copy sent electronically to:

FIIGLibrary@nylim.com
TraditionalPVtOps@nylim.com

All other notices and communications to be addressed as first provided above, with a copy sent electronically to: (1) FIIGLibrary@nylim.com and (2) TraditionalPVtOps@nylim.com and with a copy of any notices regarding defaults or Events of Default under the operative documents to: Attention: Office of the General Counsel, Investment Section, Room 1016, Fax Number: (212) 576-8340.

Name in which Notes are to be issued: New York Life Insurance and Annuity Corporation Institutionally Owned Life Insurance Separate Account (BOLI 30D)

Taxpayer I.D. Number: 13-3044743

Physical Delivery

New York Life Investment Management LLC
51 Madison Avenue, Room 1016M
New York, NY 10010
Attn: Michael Boyd, Director & Associate General Counsel
Phone: (212) 576-6755

| NAME OF AND ADDRESS OF PURCHASER | SERIES OF NOTES TO BE PURCHASED | PRINCIPAL AMOUNT |
|---|---------------------------------------|---------------------|
| NEW YORK LIFE INSURANCE AND ANNUITY | B | \$1,800,000 |
| CORPORATION INSTITUTIONALLY OWNED LIFE | C | \$900,000 |
| INSURANCE SEPARATE ACCOUNT | | |
| c/o New York Life Investment Management LLC | | |
| 51 Madison Avenue | | |
| 2nd Floor, Room 208 | | |
| New York, New York 10010-1603 | | |
| Attention: Fixed Income Investors Group, | | |
| Private Finance, 2nd Floor | | |
| Fax Number: (212) 447-4122 | | |

Payments

All payments by wire or intrabank transfer of immediately available funds to:

JPMorgan Chase Bank
New York, New York
ABA #021-000-021
Credit: NYLIAC SEPARATE BOLI 30C
General Account Number 304-6-23970

With sufficient information (including issuer, PPN number, interest rate, maturity and whether payment is of principal, premium, or interest) to identify the source and application of such funds.

Notices

All notices of payments, written confirmations of such wire transfers and any audit confirmation:

New York Life Insurance and Annuity Corporation
Institutionally Owned Life Insurance Separate Account
c/o New York Life Investment Management LLC
51 Madison Avenue
2nd Floor, Room 208
New York, New York 10010-1603
Attention: Securities Operation, Private Group, 2nd Floor
Fax Number: (908) 840-3385

with a copy sent electronically to:

FIIGLibrary@nylim.com
TraditionalPVtOps@nylim.com

All other notices and communications to be addressed as first provided above, with a copy sent electronically to: (1) FIIGLibrary@nylim.com and (2) TraditionalPVtOps@nylim.com and with a copy of any notices regarding defaults or Events of Default under the operative documents to: Attention: Office of the General Counsel, Investment Section, Room 1016, Fax Number: (212) 576-8340.

Name in which Notes are to be issued: New York Life Insurance and Annuity Corporation Institutionally Owned Life Insurance Separate Account (BOLI 30C)

Taxpayer I.D. Number: 13-3044743

Physical Delivery

New York Life Investment Management LLC
51 Madison Avenue, Room 1016M
New York, NY 10010
Attn: Michael Boyd, Director & Associate General Counsel
Phone: (212) 576-6755

| NAME OF AND ADDRESS OF PURCHASER | SERIES OF NOTES TO BE PURCHASED | PRINCIPAL AMOUNT |
|--|---------------------------------------|---------------------|
| NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION INSTITUTIONALLY OWNED LIFE INSURANCE SEPARATE ACCOUNT c/o New York Life Investment Management LLC 51 Madison Avenue 2nd Floor, Room 208 New York, New York 10010-1603 Attention: Fixed Income Investors Group, Private Finance, 2nd Floor Fax Number: (212) 447-4122 | C | \$700,000 |

Payments

All payments by wire or intrabank transfer of immediately available funds to:

JPMorgan Chase Bank
New York, New York
ABA #021-000-021
Credit: NYLIAC SEPARATE BOLI 3-2
General Account Number 323-9-56793

With sufficient information (including issuer, PPN number, interest rate, maturity and whether payment is of principal, premium, or interest) to identify the source and application of such funds.

Notices

All notices of payments, written confirmations of such wire transfers and any audit confirmation:

New York Life Insurance and Annuity Corporation
Institutionally Owned Life Insurance Separate Account
c/o New York Life Investment Management LLC
51 Madison Avenue
2nd Floor, Room 208
New York, New York 10010-1603
Attention: Securities Operation, Private Group, 2nd Floor
Fax Number: (908) 840-3385

with a copy sent electronically to:

FIIGLibrary@nylim.com
TraditionalPVtOps@nylim.com

All other notices and communications to be addressed as first provided above, with a copy sent electronically to: (1) FIIGLibrary@nylim.com and (2) TraditionalPVtOps@nylim.com and with a copy of any notices regarding defaults or Events of Default under the operative documents to: Attention: Office of the General Counsel, Investment Section, Room 1016, Fax Number: (212) 576-8340.

Name in which Notes are to be issued: New York Life Insurance and Annuity Corporation Institutionally Owned Life Insurance Separate Account (BOLI 3-2)

Taxpayer I.D. Number: 13-3044743

Physical Delivery

New York Life Investment Management LLC
51 Madison Avenue, Room 1016M
New York, NY 10010
Attn: Michael Boyd, Director & Associate General Counsel
Phone: (212) 576-6755

| NAME OF AND ADDRESS OF PURCHASER | SERIES OF NOTES TO BE PURCHASED | PRINCIPAL AMOUNT |
|--|---------------------------------------|---------------------|
| NEW YORK LIFE INSURANCE AND ANNUITY CORPORATION INSTITUTIONALLY OWNED LIFE INSURANCE SEPARATE ACCOUNT c/o New York Life Investment Management LLC 51 Madison Avenue 2nd Floor, Room 208 New York, New York 10010-1603 Attention: Fixed Income Investors Group, Private Finance, 2nd Floor Fax Number: (212) 447-4122 | C | \$100,000 |

Payments

All payments by wire or intrabank transfer of immediately available funds to:

JPMorgan Chase Bank
New York, New York
ABA #021-000-021
Credit: NYLIAC SEPARATE BOLI 30E
General Account Number 860318708

With sufficient information (including issuer, PPN number, interest rate, maturity and whether payment is of principal, premium, or interest) to identify the source and application of such funds.

Notices

All notices of payments, written confirmations of such wire transfers and any audit confirmation:

New York Life Insurance and Annuity Corporation
Institutionally Owned Life Insurance Separate Account
c/o New York Life Investment Management LLC
51 Madison Avenue
2nd Floor, Room 208
New York, New York 10010-1603
Attention: Securities Operation, Private Group, 2nd Floor
Fax Number: (908) 840-3385

with a copy sent electronically to:

FIIGLibrary@nylim.com
TraditionalPVtOps@nylim.com

All other notices and communications to be addressed as first provided above, with a copy sent electronically to: (1) FIIGLibrary@nylim.com and with a copy of any notices regarding defaults or Events of Default under the operative documents to: Attention: Office of the General Counsel, Investment Section, Room 1016, Fax Number: (212) 576-8340.

Name in which Notes are to be issued: New York Life Insurance and Annuity Corporation Institutionally Owned Life Insurance Separate Account (BOLI 30E)

Taxpayer I.D. Number: 13-3044743

Physical Delivery

New York Life Investment Management LLC
51 Madison Avenue, Room 1016M
New York, NY 10010
Attn: Michael Boyd, Director & Associate General Counsel
Phone: (212) 576-6755

| NAME OF AND ADDRESS OF PURCHASER | SERIES OF NOTES TO BE PURCHASED | PRINCIPAL AMOUNT |
|--|---------------------------------------|---------------------|
| THRIVENT FINANCIAL FOR LUTHERANS | B | \$5,000,000 |
| Attn: Investment Division-Private Placements | B | \$5,000,000 |
| 625 Fourth Avenue South | B | \$5,000,000 |
| Minneapolis, MN 55415 | C | \$5,000,000 |
| Fax Number: (612) 844-4027 | C | \$5,000,000 |
| | C | \$5,000,000 |
| | C | \$5,000,000 |

Payments

All to be made by bank wire transfer of immediately available funds to:

ABA # 011000028
State Street Bank & Trust Co.
DDA # A/C – 6813-049-1
Fund Number: NCE1
Fund Name: Thrivent Financial for Lutherans

All payments must include the following information:

Security Description
Private Placement Number
Reference Purpose of Payment
Interest and/or Principal Breakdown

Notices

Notices of payments and written confirmation of such wire transfers to:

| | |
|--|----------------------------|
| Investment Division-Private Placements | <u>With a copy to:</u> |
| ATT: Alan D. Onstad | Thrivent Accounts |
| Thrivent Financial for Lutherans | State Street Kansas City |
| 625 Fourth Avenue South | 801 Pennsylvania |
| Minneapolis, MN 55415 | Kansas City, MO 64105 |
| Fax Number: (612) 844-4027 | Attention: Brian Kershner |
| | Fax Number: (816) 871-5509 |

All other communications to be addressed as first provided above.

Name in which Notes are to be issued: Swanbird & Co.

Taxpayer I.D. Number for Thrivent Financial for Lutherans: 39-0123480

Taxpayer I.D. Number for Swanbird & Co.: 04-3475606

Physical Delivery

DTC/New York Window
55 Water Street
Plaza Level – 3rd Floor
New York, NY 10041
Attention: Robert Mendez
Account: State Street
Fund Name: Thrivent Financial for Lutherans
Fund Number: NCE1
Nominee Name: Swanbird & Co.
Nominee Taxpayer I.D. Number: 04-3475606

With a copy to:

Marlene Nogle, Senior Counsel-Investment Law
Thrivent Financial for Lutherans
625 Fourth Avenue South-MS 1010
Minneapolis, MN 55415
marlene.nogle@thrivent.com

| NAME OF AND ADDRESS OF PURCHASER | SERIES OF NOTES TO BE PURCHASED | PRINCIPAL AMOUNT |
|---|---------------------------------------|---------------------|
| JOHN HANCOCK LIFE INSURANCE COMPANY (U.S.A.) c/o John Hancock Financial Services 197 Clarendon Street Boston, Massachusetts 02116 | A | \$30,000,000 |

Payments

All to be made by bank wire transfer of immediately available funds to:

| | |
|------------------------|---|
| Bank Name: | Bank of New York Mellon |
| ABA Number: | 011001234 |
| Account Number: | JPPF1001002 |
| Account Name: | US PP Collector F008 |
| For Further Credit to: | DDA Number 048771 |
| On Order of: | Southwest Power Pool, Inc., 4.82% Series 2010-A Senior Notes due December 30, 2042, PPN 84519# AC8 |

Notices

All notices with respect to payments, prepayments (scheduled and unscheduled, whether partial or in full) and maturity shall be sent to:

| | | |
|-------------------------------------|-----|--------------------------------------|
| John Hancock Financial Services | and | John Hancock Financial Services |
| 197 Clarendon Street | | 197 Clarendon Street |
| Boston, MA 02116 | | Boston, MA 02116 |
| Attn: US Securities Operations, C-4 | | Attn: Investment Administration, C-2 |
| Fax Number: (617) 572-0628 | | Fax Number: (617) 572-5495 |

All notices and communication with respect to compliance reporting, financial statements and related certifications shall be sent to:

John Hancock Financial Services
197 Clarendon Street
Boston, MA 02116
Attention: Bond and Corporate Finance, C-2
Fax Number: (617) 572-5068

All other notices shall be sent to:

John Hancock Financial Services
197 Clarendon Street
Boston, MA 02116
Attention: Investment Law, C-3
Fax Number: (617) 572-9269

and

John Hancock Financial Services
197 Clarendon Street
Boston, MA 02116
Attention: Bond and Corporate Finance, C-2
Fax Number: 617-572-5068

Name in which Notes are to be issued: John Hancock Life Insurance Company (U.S.A.)

Taxpayer I.D. Number: 01-0233346

Physical Delivery

John Hancock Financial Services
197 Clarendon Street, C-3-16
Boston, MA 02116
Attention: E. David Pemstein

DEFINED TERMS

As used herein, the following terms have the respective meanings set forth below or set forth in the Section hereof following such term:

“Additional Covenant” is defined in Section 9.10.

“Adjusted Senior Funded Debt” means, as of any date of determination, all Senior Funded Debt as of such date of determination minus all amounts outstanding under any revolving credit facility.

“Affiliate” means, at any time, and with respect to any Person, (a) any other Person that at such time directly or indirectly through one or more intermediaries Controls, or is Controlled by, or is under common Control with, such first Person, and, with respect to the Company, shall include (b) any Person beneficially owning or holding, directly or indirectly, 10% or more of any class of voting or equity interests of the Company or any Subsidiary or any corporation of which the Company and its Subsidiaries beneficially own or hold, in the aggregate, directly or indirectly, 10% or more of any class of voting or equity interests. As used in this definition, *“Control”* means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract or otherwise. Unless the context otherwise clearly requires, any reference to an *“Affiliate”* is a reference to an Affiliate of the Company.

“Anti-Terrorism Order” means Executive Order No. 13,244 of September 24, 2001, Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit or Support Terrorism, 66 U.S. Fed. Reg. 49, 079 (2001), as amended.

“Asset Disposition” means any Transfer except:

(a) any

(i) Transfer from a Subsidiary to the Company or a Wholly-Owned Subsidiary;

(ii) Transfer from the Company to a Wholly-Owned Subsidiary; and

(iii) Transfer from the Company to a Subsidiary (other than a Wholly-Owned Subsidiary) or from a Subsidiary to another Subsidiary (other than a Wholly-Owned Subsidiary), which in either case is for Fair Market Value,

so long as immediately before and immediately after the consummation of any such Transfer and after giving effect thereto, no Default or Event of Default exists; and

(b) any Transfer made in the ordinary course of business and involving only property that is either (i) inventory held for sale or (ii) equipment, fixtures, supplies,

furnishing, materials or other personal property which in the discretion of the Company is no longer required, useful or required in the operation of the business of the Company or any of its Subsidiaries or that is obsolete.

“Bank Credit Agreement” means (i) that certain Credit Agreement dated as of August 24, 2007, by and between the Company and U.S. Bank National Association, and (ii) that certain Credit Agreement dated as of July 23, 2009, by and between the Company and U.S. Bank National Association, in each case, as such agreement may be hereafter amended, modified, restated, supplemented, refinanced, replaced, increased or reduced from time to time, and any successor credit agreement or similar facilities.

“Business Day” means (a) for the purposes of Section 8.7 only, any day other than a Saturday, a Sunday or a day on which commercial banks in New York City are required or authorized to be closed, and (b) for the purposes of any other provision of this Agreement, any day other than a Saturday, a Sunday or a day on which commercial banks in Chicago, Illinois are required or authorized to be closed.

“Capital Lease” means, at any time, a lease with respect to which the lessee is required concurrently to recognize the acquisition of an asset and the incurrence of a liability in accordance with GAAP.

“Capital Lease Obligation” means, with respect to any Person and a Capital Lease, the amount of the obligation of such Person as the lessee under such Capital Lease which would, in accordance with GAAP, appear as a liability on a balance sheet of such Person.

“Change in Membership Percentage” shall mean, for any Membership Termination Event, the Membership Percentage of such a Member immediately prior to the related Membership Termination Event.

“Closing” is defined in Section 3.

“Code” means the Internal Revenue Code of 1986, as amended from time to time, and the rules and regulations promulgated thereunder from time to time.

“Company” means Southwest Power Pool, Inc., an Arkansas mutual benefit corporation.

“Consolidated Assets” means, at any time, the total assets of the Company and its Subsidiaries which would be shown as assets on a consolidated balance sheet of the Company and its Subsidiaries as of such time prepared in accordance with GAAP, after eliminating all amounts properly attributable to minority interests, if any, in the stock and surplus of Subsidiaries.

“Debt” means, with respect to any Person, without duplication,

- (a) all Indebtedness for borrowed money;

(b) all Indebtedness for the deferred purchase price of property acquired by such Person (excluding unsecured accounts payable arising in the ordinary course of business but including, without limitation, all liabilities created or arising under any conditional sale or other title retention agreement with respect to any such property);

(c) its Capital Lease Obligations;

(d) all liabilities for borrowed money secured by any Lien with respect to any property owned by such Person (whether or not it has assumed or otherwise become liable for such liabilities); and

(e) any Guaranty of such Person with respect to liabilities of a type described in any of clauses (a) through (d) hereof.

Debt of any Person shall include all obligations of such Person of the character described in clauses (a) through (e) to the extent such Person remains legally liable in respect thereof notwithstanding that any such obligation is deemed to be extinguished under GAAP.

“Debt Prepayment Application” means, with respect to any Transfer of property, the application by the Company or its Subsidiaries of cash in an amount equal to the Net Proceeds Amount with respect to such Transfer to pay Adjusted Senior Funded Debt of the Company (other than Senior Funded Debt owing to the Company, any of its Subsidiaries or any Affiliate), *provided that* in the course of making such application the Company shall prepay each outstanding Note in accordance with Section 8.3 in a principal amount which, when added to the Make-Whole Amount applicable thereto, equals the Ratable Portion for such Note. As used in this definition, *“Ratable Portion”* for any Note means an amount equal to the product of (x) the Net Proceeds Amount being so applied to the payment of Adjusted Senior Funded Debt multiplied by (y) a fraction the numerator of which is the outstanding principal amount of such Note and the denominator of which is the aggregate principal amount of Adjusted Senior Funded Debt of the Company and its Subsidiaries.

“Default” means an event or condition the occurrence or existence of which would, with the lapse of time or the giving of notice or both, become an Event of Default.

“Default Rate” means that rate of interest that is 2% per annum above the rate of interest stated in clause (a) of the first paragraph of the Notes, but in no event higher than the maximum rate specified in Section 22.8.

“Disposition Value” means, at any time, with respect to any property

(a) in the case of property that does not constitute Subsidiary Stock, the book value thereof, valued at the time of such disposition in good faith by the Company, and

(b) in the case of property that constitutes Subsidiary Stock, an amount equal to that percentage of book value of the assets of the Subsidiary that issued such stock as is equal to the percentage that the book value of such Subsidiary Stock represents of the

book value of all of the outstanding capital stock of such Subsidiary (assuming, in making such calculations, that all Securities convertible into such capital stock are so converted and giving full effect to all transactions that would occur or be required in connection with such conversion) determined at the time of the disposition thereof, in good faith by the Company.

“Dispute Resolution Safeharbor” is defined in Section 11(k).

“Environmental Laws” means any and all Federal, state, local, and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or governmental restrictions relating to pollution and the protection of the environment or the release of any materials into the environment, including but not limited to those related to Hazardous Materials.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

“ERISA Affiliate” means any trade or business (whether or not incorporated) that is treated as a single employer together with the Company under section 414 of the Code.

“Event of Default” is defined in Section 11.

“Execution Date” is defined in Section 3(a).

“Fair Market Value” means, at any time and with respect to any property, the sale value of such property that would be realized in an arm’s-length sale at such time between an informed and willing buyer and an informed and willing seller (neither being under a compulsion to buy or sell).

“FERC” means the Federal Energy Regulatory Commission.

“4% Plus Member” is defined in Section 11(k).

“Funded Debt” means, with respect to any Person, all Debt of such Person which by its terms or by the terms of any instrument or agreement relating thereto matures, or which is otherwise payable or unpaid, one year or more from, or is directly or indirectly renewable or extendible at the option of the obligor in respect thereof to a date one year or more (including, without limitation, an option of such obligor under a revolving credit or similar agreement obligating the lender or lenders to extend credit over a period of one year or more) from, the date of the creation thereof.

“GAAP” means generally accepted accounting principles as in effect from time to time in the United States of America.

“*Governmental Authority*” means

- (a) the government of
 - (i) the United States of America or any State or other political subdivision thereof, or
 - (ii) any jurisdiction in which the Company or any Subsidiary conducts all or any part of its business, or which asserts jurisdiction over any properties of the Company or any Subsidiary, or
- (b) any entity exercising executive, legislative, judicial, regulatory or administrative functions of, or pertaining to, any such government.

“*Guaranty*” means, with respect to any Person, any obligation (except the endorsement in the ordinary course of business of negotiable instruments for deposit or collection) of such Person guaranteeing or in effect guaranteeing any Indebtedness, dividend or other obligation of any other Person in any manner, whether directly or indirectly, including (without limitation) obligations incurred through an agreement, contingent or otherwise, by such Person:

- (a) to purchase such Indebtedness or obligation or any property constituting security therefor;
- (b) to advance or supply funds (i) for the purchase or payment of such Indebtedness or obligation, or (ii) to maintain any working capital or other balance sheet condition or any income statement condition of any other Person or otherwise to advance or make available funds for the purchase or payment of such Indebtedness or obligation;
- (c) to lease properties or to purchase properties or services primarily for the purpose of assuring the owner of such Indebtedness or obligation of the ability of any other Person to make payment of the Indebtedness or obligation; or
- (d) otherwise to assure the owner of such Indebtedness or obligation against loss in respect thereof.

In any computation of the Indebtedness or other liabilities of the obligor under any Guaranty, the Indebtedness or other obligations that are the subject of such Guaranty shall be assumed to be direct obligations of such obligor.

“*Hazardous Material*” means any and all pollutants, toxic or hazardous wastes or any other substances that might pose a hazard to health or safety, the removal of which may be required or the generation, manufacture, refining, production, processing, treatment, storage, handling, transportation, transfer, use, disposal, release, discharge, spillage, seepage, or filtration of which is or shall be restricted, prohibited or penalized by any applicable law (including, without limitation, asbestos, urea formaldehyde foam insulation and polychlorinated biphenyls,

petroleum, petroleum products, lead based paint, radon gas or similar restricted, prohibited or penalized substances).

The term “*holder*” means, with respect to any Note, the Person in whose name such Note is registered in the register maintained by the Company pursuant to Section 13.1.

“*Indebtedness*” with respect to any Person means, at any time, without duplication,

(a) its liabilities for borrowed money and its redemption obligations in respect of mandatorily redeemable Preferred Stock;

(b) its liabilities for the deferred purchase price of property acquired by such Person (excluding accounts payable arising in the ordinary course of business but including all liabilities created or arising under any conditional sale or other title retention agreement with respect to any such property);

(c) all liabilities appearing on its balance sheet in accordance with GAAP in respect of Capital Leases;

(d) all liabilities for borrowed money secured by any Lien with respect to any property owned by such Person (whether or not it has assumed or otherwise become liable for such liabilities);

(e) all its liabilities in respect of letters of credit or instruments serving a similar function issued or accepted for its account by banks and other financial institutions (whether or not representing obligations for borrowed money);

(f) Swaps of such Person; and

(g) any Guaranty of such Person with respect to liabilities of a type described in any of clauses (a) through (f) hereof.

Indebtedness of any Person shall include all obligations of such Person of the character described in clauses (a) through (g) to the extent such Person remains legally liable in respect thereof notwithstanding that any such obligation is deemed to be extinguished under GAAP.

“*Institutional Investor*” means (a) any original purchaser of a Note, (b) any holder of a Note holding (together with one or more of its affiliates) more than 5% of the aggregate principal amount of the Notes then outstanding, (c) any bank, trust company, savings and loan association or other financial institution, any pension plan, any investment company, any insurance company, any broker or dealer, or any other similar financial institution or entity, regardless of legal form, and (d) any Related Fund of any holder of any Note.

“*Interest Charges*” means, with respect to any period, the sum (without duplication and without regard to Swap Contract valuation) of all interest in respect of Debt of the Company and its Subsidiaries (including imputed interest on Capital Lease Obligations) and other sums that

would be considered interest in accordance with GAAP (in each case, eliminating all offsetting debits and credits between the Company and its Subsidiaries and all other items required to be eliminated in the course of the preparation of consolidated financial statements of the Company and its Subsidiaries in accordance with GAAP).

“Lien” means, with respect to any Person, any mortgage, lien, pledge, charge, security interest or other encumbrance, or any interest or title of any vendor, lessor, lender or other secured party to or of such Person under any conditional sale or other title retention agreement or Capital Lease, upon or with respect to any property or asset of such Person (including in the case of stock, stockholder agreements, voting trust agreements and all similar arrangements).

“Make-Whole Amount” is defined in Section 8.7.

“Material” means material in relation to the business, operations, affairs, financial condition, assets, properties, or prospects of the Company and its Subsidiaries taken as a whole.

“Material Adverse Effect” means a material adverse effect on (a) the business, operations, affairs, financial condition, assets or properties of the Company and its Subsidiaries taken as a whole, or (b) the ability of the Company to perform its obligations under this Agreement and the Notes, or (c) the validity or enforceability of this Agreement or the Notes.

“Member” means an entity which has signed the Company’s Membership Agreement and has not withdrawn or been removed as a Member pursuant to the Company’s Bylaws.

“Member Denial” is defined in Section 11(k).

“Membership Percentage” means the percentage representing a Member’s responsibility for membership assessments computed in accordance with the formula in Section 7.2, or any successor provision, of the Company’s Bylaws.

“Membership Termination Event” means any termination or removal of a Member of the Company, whether pursuant to the Membership Agreement, pursuant to the Articles of Incorporation or Bylaws of Company, or otherwise.

“Memorandum” is defined in Section 5.3.

“Multiemployer Plan” means any Plan that is a “multiemployer plan” (as such term is defined in section 4001(a)(3) of ERISA).

“NAIC” means the National Association of Insurance Commissioners or any successor thereto.

“Net Proceeds Amount” means, with respect to any Transfer of any Property by any Person, an amount equal to the *difference* of

(a) the aggregate amount of the consideration (valued at the Fair Market Value of such consideration at the time of the consummation of such Transfer) received by such Person in respect of such Transfer, *minus*

(b) all ordinary and reasonable out-of-pocket costs and expenses actually incurred by such Person in connection with such Transfer.

“*Notes*” is defined in Section 1.

“*Officer’s Certificate*” means a certificate of a Senior Financial Officer or of any other officer of the Company whose responsibilities extend to the subject matter of such certificate.

“*PBGC*” means the Pension Benefit Guaranty Corporation referred to and defined in ERISA or any successor thereto.

“*Person*” means an individual, partnership, corporation, limited liability company, association, trust, unincorporated organization, business entity or Governmental Authority.

“*Plan*” means an “employee benefit plan” (as defined in section 3(3) of ERISA) that is or, within the preceding five years, has been established or maintained, or to which contributions are or, within the preceding five years, have been made or required to be made, by the Company or any ERISA Affiliate or with respect to which the Company or any ERISA Affiliate may have any liability.

“*Preferred Stock*” means any class of capital stock of a corporation that is preferred over any other class of capital stock (or similar equity interests) of such Person as to the payment of dividends or the payment of any amount upon liquidation or dissolution of such Person.

“*Priority Debt*” means, without duplication, the sum of (a) all Debt of the Company secured by any Lien with respect to any property owned by the Company or any of its Subsidiaries, and (b) all Debt and Preferred Stock of Subsidiaries (except Debt and Preferred Stock held by the Company or a Wholly-Owned Subsidiary).

The term “*property*” or “*properties*” means, unless otherwise specifically limited, real or personal property of any kind, tangible or intangible, choate or inchoate.

“*Property Reinvestment Application*” means, with respect to any Transfer of property, the application of an amount equal to the Net Proceeds Amount with respect to such Transfer to the acquisition by the Company or any Subsidiary of operating assets of the Company or any Subsidiary to be used in the ordinary course of business of such Person.

“*PTE*” means Prohibited Transaction Exemption issued by the Department of Labor.

“*Purchaser*” is defined in the first paragraph of this Agreement.

“Regional Transmission Organization” means an entity that is certified by FERC as satisfying its requirements therefor, as set forth in FERC Order 2000 issued December 20, 1999, as amended from time to time.

“Required Government Approvals” means (i) that certain Application of Southwest Power Pool, Inc. Under Section 204 of the Federal Power Act for an Order Authorizing the Issuance of Securities, Docket No. ES10-11-000, from the Company to the United States Federal Energy Regulatory Commission dated December 4, 2009, (ii) that certain Application for Authority to Issue Indebtedness and Request for an Expedited Order, Docket No. 09-128-U, by the Company to the Arkansas Public Service Commission dated December 8, 2009, (iii) that certain Letter Order from the United States Federal Energy Regulatory Commission, Division of Electric Power Regulation-West to the Company dated January 15, 2010, (iv) that certain Order of the Arkansas Public Service Commission, Docket No. 09-128-U, Order No. 1, dated February 1, 2010, (v) that certain Letter from Carrie L. Bumgarner, attorney for the Company to the Federal Energy Regulatory Commission dated May 6, 2010, (vi) that certain Letter Order from the United States Federal Energy Regulatory Commission, Division of Electric Power Regulation-West to the Company dated May 19, 2010, (vii) that certain Notice of FERC Letter Order, Docket No. 09-128-U, from the Company to the Arkansas Public Service Commission, dated May 19, 2010, as corrected by that certain Errata Order, Docket No. ES10-11-000, dated October 28, 2010, and (viii) that certain Order of the Arkansas Public Service Commission, Docket No. 09-128-U, Order No. 2, dated June 7, 2010.

“Required Holders” means, at any time, the holders of at least 51% in principal amount of the Notes at the time outstanding (exclusive of Notes then owned by the Company or any of its Affiliates and any Notes held by parties who are contractually required to abstain from voting with respect to matters affecting the holders of the Notes).

“Related Fund” means, with respect to any holder of any Note, any fund or entity that (i) invests in Securities or bank loans, and (ii) is advised or managed by such holder, the same investment advisor as such holder or by an affiliate of such holder or such investment advisor.

“Responsible Officer” means any Senior Financial Officer and any other officer of the Company with responsibility for the administration of the relevant portion of this Agreement.

“SEC” shall mean the Securities and Exchange Commission of the United States, or any successor thereto.

“Securities” or *“Security”* shall have the meaning specified in Section 2(1) of the Securities Act.

“Securities Act” means the Securities Act of 1933, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

“Senior Financial Officer” means the chief financial officer, principal accounting officer, treasurer or comptroller of the Company.

“*Senior Funded Debt*” means (a) any Funded Debt of the Company (other than Subordinated Debt) and (b) any Funded Debt of any Subsidiary.

“*Series 2010A Notes*” is defined in Section 1.1.

“*Series 2010B Notes*” is defined in Section 1.1.

“*Series 2010C Notes*” is defined in Section 1.1.

“*Subordinated Debt*” means any unsecured Debt that is contractually subordinate in right of payment to Debt evidenced by the Notes in form and terms having the prior written approval of the Required Holders.

“*Subsidiary*” means, as to any Person, any corporation, association or other business entity in which such Person or one or more of its Subsidiaries or such Person and one or more of its Subsidiaries owns sufficient equity or voting interests to enable it or them (as a group) ordinarily, in the absence of contingencies, to elect a majority of the directors (or Persons performing similar functions) of such entity, and any partnership or joint venture if more than a 50% interest in the profits or capital thereof is owned by such Person or one or more of its Subsidiaries or such Person and one or more of its Subsidiaries (unless such partnership can and does ordinarily take major business actions without the prior approval of such Person or one or more of its Subsidiaries). Unless the context otherwise clearly requires, any reference to a “Subsidiary” is a reference to a Subsidiary of the Company.

“*Subsidiary Stock*” means, with respect to any Person, the stock (or any options or warrants to purchase stock or other Securities exchangeable for or convertible into stock) of any Subsidiary of such Person.

“*Supplement*” is defined in Section 2.2.

“*SVO*” means the Securities Valuation Office of the NAIC or any successor to such Office.

“*Swaps*” means, with respect to any Person, payment obligations with respect to interest rate swaps, currency swaps and similar obligations obligating such Person to make payments, whether periodically or upon the happening of a contingency. For the purposes of this Agreement, the amount of the obligation under any Swap shall be the amount determined in respect thereof as of the end of the then most recently ended fiscal quarter of such Person, based on the assumption that such Swap had terminated at the end of such fiscal quarter, and in making such determination, if any agreement relating to such Swap provides for the netting of amounts payable by and to such Person thereunder or if any such agreement provides for the simultaneous payment of amounts by and to such Person, then in each such case, the amount of such obligation shall be the net amount so determined.

“*Transfer*” means, with respect to any Person, any transaction in which such Person sells, conveys, transfers or leases (as lessor) any of its property, including, without limitation,

Subsidiary Stock. For purposes of determining the application of the Net Proceeds Amount in respect of any Transfer, the Company may designate any Transfer as one or more separate Transfers each yielding a separate Net Proceeds Amount. In any such case, the Disposition Value of any property subject to each such separate Transfer shall be determined by ratably allocating the aggregate Disposition Value of all property subject to all such separate Transfers to each such separate Transfer on a proportionate basis.

“*USA Patriot Act*” means United States Public Law 107-56, Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT ACT) Act of 2001, as amended from time to time, and the rules and regulations promulgated thereunder from time to time in effect.

“*Wholly-Owned Subsidiary*” means, at any time, any Subsidiary one hundred percent of all of the equity interests (except directors’ qualifying shares) and voting interests of which are owned by any one or more of the Company and the Company’s other Wholly-Owned Subsidiaries at such time.

SCHEDULE 5.4

**SUBSIDIARIES OF THE COMPANY AND
OWNERSHIP OF SUBSIDIARY STOCK**

There are no Subsidiaries of the Company.

SCHEDULE 5.5
FINANCIAL STATEMENTS

The Audited Financial Statements for the Company for the fiscal years 2009-2005 and Unaudited Financial Statements for the 6-month periods ending June 30, 2010 and 2009 were delivered to the Purchasers.

SCHEDULE 5.15
EXISTING INDEBTEDNESS; FUTURE LIENS

Balances as of June 30, 2010

| <u>Existing Indebtedness:</u> | <u>Outstanding Principal Amount:</u> |
|--|---|
| Senior Unsecured Notes due 2011 | \$ 5,000,000 |
| Senior Unsecured Notes due 2014 | 18,500,000 |
| Senior Unsecured Notes due 2016 | 30,000,000 |
| Senior Secured Notes due 2027 | 4,266,000 |
| \$20,000,000 Revolving Credit Facility due July 29, 2011 | 0* |

Liens:

A first mortgage on the Company's Maumelle facility secures the Sr. Secured Notes due 2027.

* \$20,000,000 available

SCHEDULE 8.1(a)
SERIES 2010A PAYMENT SCHEDULE

| PAYMENT DATE | PAYMENT |
|---------------------|----------------|
| 30-Mar-2013 | \$474,132.40 |
| 30-Jun-2013 | \$474,132.40 |
| 30-Sep-2013 | \$474,132.40 |
| 30-Dec-2013 | \$474,132.40 |
| 30-Mar-2014 | \$474,132.40 |
| 30-Jun-2014 | \$474,132.40 |
| 30-Sep-2014 | \$474,132.40 |
| 30-Dec-2014 | \$474,132.40 |
| 30-Mar-2015 | \$474,132.40 |
| 30-Jun-2015 | \$474,132.40 |
| 30-Sep-2015 | \$474,132.40 |
| 30-Dec-2015 | \$474,132.40 |
| 30-Mar-2016 | \$474,132.40 |
| 30-Jun-2016 | \$474,132.40 |
| 30-Sep-2016 | \$474,132.40 |
| 30-Dec-2016 | \$474,132.40 |
| 30-Mar-2017 | \$474,132.40 |
| 30-Jun-2017 | \$474,132.40 |
| 30-Sep-2017 | \$474,132.40 |
| 30-Dec-2017 | \$474,132.40 |
| 30-Mar-2018 | \$474,132.40 |
| 30-Jun-2018 | \$474,132.40 |
| 30-Sep-2018 | \$474,132.40 |
| 30-Dec-2018 | \$474,132.40 |
| 30-Mar-2019 | \$474,132.40 |
| 30-Jun-2019 | \$474,132.40 |
| 30-Sep-2019 | \$474,132.40 |
| 30-Dec-2019 | \$474,132.40 |
| 30-Mar-2020 | \$474,132.40 |
| 30-Jun-2020 | \$474,132.40 |
| 30-Sep-2020 | \$474,132.40 |
| 30-Dec-2020 | \$474,132.40 |
| 30-Mar-2021 | \$474,132.40 |
| 30-Jun-2021 | \$474,132.40 |
| 30-Sep-2021 | \$474,132.40 |
| 30-Dec-2021 | \$474,132.40 |
| 30-Mar-2022 | \$474,132.40 |
| 30-Jun-2022 | \$474,132.40 |

SCHEDULE 8.1(a)
(to Note Purchase Agreement)

| PAYMENT DATE | PAYMENT |
|---------------------|----------------|
| 30-Sep-2022 | \$474,132.40 |
| 30-Dec-2022 | \$474,132.40 |
| 30-Mar-2023 | \$474,132.40 |
| 30-Jun-2023 | \$474,132.40 |
| 30-Sep-2023 | \$474,132.40 |
| 30-Dec-2023 | \$474,132.40 |
| 30-Mar-2024 | \$474,132.40 |
| 30-Jun-2024 | \$474,132.40 |
| 30-Sep-2024 | \$474,132.40 |
| 30-Dec-2024 | \$474,132.40 |
| 30-Mar-2025 | \$474,132.40 |
| 30-Jun-2025 | \$474,132.40 |
| 30-Sep-2025 | \$474,132.40 |
| 30-Dec-2025 | \$474,132.40 |
| 30-Mar-2026 | \$474,132.40 |
| 30-Jun-2026 | \$474,132.40 |
| 30-Sep-2026 | \$474,132.40 |
| 30-Dec-2026 | \$474,132.40 |
| 30-Mar-2027 | \$474,132.40 |
| 30-Jun-2027 | \$474,132.40 |
| 30-Sep-2027 | \$474,132.40 |
| 30-Dec-2027 | \$474,132.40 |
| 30-Mar-2028 | \$474,132.40 |
| 30-Jun-2028 | \$474,132.40 |
| 30-Sep-2028 | \$474,132.40 |
| 30-Dec-2028 | \$474,132.40 |
| 30-Mar-2029 | \$474,132.40 |
| 30-Jun-2029 | \$474,132.40 |
| 30-Sep-2029 | \$474,132.40 |
| 30-Dec-2029 | \$474,132.40 |
| 30-Mar-2030 | \$474,132.40 |
| 30-Jun-2030 | \$474,132.40 |
| 30-Sep-2030 | \$474,132.40 |
| 30-Dec-2030 | \$474,132.40 |
| 30-Mar-2031 | \$474,132.40 |
| 30-Jun-2031 | \$474,132.40 |
| 30-Sep-2031 | \$474,132.40 |
| 30-Dec-2031 | \$474,132.40 |
| 30-Mar-2032 | \$474,132.40 |
| 30-Jun-2032 | \$474,132.40 |

| PAYMENT DATE | PAYMENT |
|---------------------|----------------|
| 30-Sep-2032 | \$474,132.40 |
| 30-Dec-2032 | \$474,132.40 |
| 30-Mar-2033 | \$474,132.40 |
| 30-Jun-2033 | \$474,132.40 |
| 30-Sep-2033 | \$474,132.40 |
| 30-Dec-2033 | \$474,132.40 |
| 30-Mar-2034 | \$474,132.40 |
| 30-Jun-2034 | \$474,132.40 |
| 30-Sep-2034 | \$474,132.40 |
| 30-Dec-2034 | \$474,132.40 |
| 30-Mar-2035 | \$474,132.40 |
| 30-Jun-2035 | \$474,132.40 |
| 30-Sep-2035 | \$474,132.40 |
| 30-Dec-2035 | \$474,132.40 |
| 30-Mar-2036 | \$474,132.40 |
| 30-Jun-2036 | \$474,132.40 |
| 30-Sep-2036 | \$474,132.40 |
| 30-Dec-2036 | \$474,132.40 |
| 30-Mar-2037 | \$474,132.40 |
| 30-Jun-2037 | \$474,132.40 |
| 30-Sep-2037 | \$474,132.40 |
| 30-Dec-2037 | \$474,132.40 |
| 30-Mar-2038 | \$474,132.40 |
| 30-Jun-2038 | \$474,132.40 |
| 30-Sep-2038 | \$474,132.40 |
| 30-Dec-2038 | \$474,132.40 |
| 30-Mar-2039 | \$474,132.40 |
| 30-Jun-2039 | \$474,132.40 |
| 30-Sep-2039 | \$474,132.40 |
| 30-Dec-2039 | \$474,132.40 |
| 30-Mar-2040 | \$474,132.40 |
| 30-Jun-2040 | \$474,132.40 |
| 30-Sep-2040 | \$474,132.40 |
| 30-Dec-2040 | \$474,132.40 |
| 30-Mar-2041 | \$474,132.40 |
| 30-Jun-2041 | \$474,132.40 |
| 30-Sep-2041 | \$474,132.40 |
| 30-Dec-2041 | \$474,132.40 |
| 30-Mar-2042 | \$474,132.40 |
| 30-Jun-2042 | \$474,132.40 |

| PAYMENT DATE | PAYMENT |
|---------------------|----------------|
| 30-Sep-2042 | \$474,132.40 |
| 30-Dec-2042 | \$474,131.55 |

SCHEDULE 8.1(b)
SERIES 2010B PAYMENT SCHEDULE

| PAYMENT DATE | PAYMENT |
|---------------------|----------------|
| 30-Mar-2013 | \$553,154.46 |
| 30-Jun-2013 | \$553,154.46 |
| 30-Sep-2013 | \$553,154.46 |
| 30-Dec-2013 | \$553,154.46 |
| 30-Mar-2014 | \$553,154.46 |
| 30-Jun-2014 | \$553,154.46 |
| 30-Sep-2014 | \$553,154.46 |
| 30-Dec-2014 | \$553,154.46 |
| 30-Mar-2015 | \$553,154.46 |
| 30-Jun-2015 | \$553,154.46 |
| 30-Sep-2015 | \$553,154.46 |
| 30-Dec-2015 | \$553,154.46 |
| 30-Mar-2016 | \$553,154.46 |
| 30-Jun-2016 | \$553,154.46 |
| 30-Sep-2016 | \$553,154.46 |
| 30-Dec-2016 | \$553,154.46 |
| 30-Mar-2017 | \$553,154.46 |
| 30-Jun-2017 | \$553,154.46 |
| 30-Sep-2017 | \$553,154.46 |
| 30-Dec-2017 | \$553,154.46 |
| 30-Mar-2018 | \$553,154.46 |
| 30-Jun-2018 | \$553,154.46 |
| 30-Sep-2018 | \$553,154.46 |
| 30-Dec-2018 | \$553,154.46 |
| 30-Mar-2019 | \$553,154.46 |
| 30-Jun-2019 | \$553,154.46 |
| 30-Sep-2019 | \$553,154.46 |
| 30-Dec-2019 | \$553,154.46 |
| 30-Mar-2020 | \$553,154.46 |
| 30-Jun-2020 | \$553,154.46 |
| 30-Sep-2020 | \$553,154.46 |
| 30-Dec-2020 | \$553,154.46 |
| 30-Mar-2021 | \$553,154.46 |
| 30-Jun-2021 | \$553,154.46 |
| 30-Sep-2021 | \$553,154.46 |
| 30-Dec-2021 | \$553,154.46 |
| 30-Mar-2022 | \$553,154.46 |
| 30-Jun-2022 | \$553,154.46 |

SCHEDULE 8.1(b)
(to Note Purchase Agreement)

| PAYMENT DATE | PAYMENT |
|---------------------|----------------|
| 30-Sep-2022 | \$553,154.46 |
| 30-Dec-2022 | \$553,154.46 |
| 30-Mar-2023 | \$553,154.46 |
| 30-Jun-2023 | \$553,154.46 |
| 30-Sep-2023 | \$553,154.46 |
| 30-Dec-2023 | \$553,154.46 |
| 30-Mar-2024 | \$553,154.46 |
| 30-Jun-2024 | \$553,154.46 |
| 30-Sep-2024 | \$553,154.46 |
| 30-Dec-2024 | \$553,154.46 |
| 30-Mar-2025 | \$553,154.46 |
| 30-Jun-2025 | \$553,154.46 |
| 30-Sep-2025 | \$553,154.46 |
| 30-Dec-2025 | \$553,154.46 |
| 30-Mar-2026 | \$553,154.46 |
| 30-Jun-2026 | \$553,154.46 |
| 30-Sep-2026 | \$553,154.46 |
| 30-Dec-2026 | \$553,154.46 |
| 30-Mar-2027 | \$553,154.46 |
| 30-Jun-2027 | \$553,154.46 |
| 30-Sep-2027 | \$553,154.46 |
| 30-Dec-2027 | \$553,154.46 |
| 30-Mar-2028 | \$553,154.46 |
| 30-Jun-2028 | \$553,154.46 |
| 30-Sep-2028 | \$553,154.46 |
| 30-Dec-2028 | \$553,154.46 |
| 30-Mar-2029 | \$553,154.46 |
| 30-Jun-2029 | \$553,154.46 |
| 30-Sep-2029 | \$553,154.46 |
| 30-Dec-2029 | \$553,154.46 |
| 30-Mar-2030 | \$553,154.46 |
| 30-Jun-2030 | \$553,154.46 |
| 30-Sep-2030 | \$553,154.46 |
| 30-Dec-2030 | \$553,154.46 |
| 30-Mar-2031 | \$553,154.46 |
| 30-Jun-2031 | \$553,154.46 |
| 30-Sep-2031 | \$553,154.46 |
| 30-Dec-2031 | \$553,154.46 |
| 30-Mar-2032 | \$553,154.46 |
| 30-Jun-2032 | \$553,154.46 |

| PAYMENT DATE | PAYMENT |
|---------------------|----------------|
| 30-Sep-2032 | \$553,154.46 |
| 30-Dec-2032 | \$553,154.46 |
| 30-Mar-2033 | \$553,154.46 |
| 30-Jun-2033 | \$553,154.46 |
| 30-Sep-2033 | \$553,154.46 |
| 30-Dec-2033 | \$553,154.46 |
| 30-Mar-2034 | \$553,154.46 |
| 30-Jun-2034 | \$553,154.46 |
| 30-Sep-2034 | \$553,154.46 |
| 30-Dec-2034 | \$553,154.46 |
| 30-Mar-2035 | \$553,154.46 |
| 30-Jun-2035 | \$553,154.46 |
| 30-Sep-2035 | \$553,154.46 |
| 30-Dec-2035 | \$553,154.46 |
| 30-Mar-2036 | \$553,154.46 |
| 30-Jun-2036 | \$553,154.46 |
| 30-Sep-2036 | \$553,154.46 |
| 30-Dec-2036 | \$553,154.46 |
| 30-Mar-2037 | \$553,154.46 |
| 30-Jun-2037 | \$553,154.46 |
| 30-Sep-2037 | \$553,154.46 |
| 30-Dec-2037 | \$553,154.46 |
| 30-Mar-2038 | \$553,154.46 |
| 30-Jun-2038 | \$553,154.46 |
| 30-Sep-2038 | \$553,154.46 |
| 30-Dec-2038 | \$553,154.46 |
| 30-Mar-2039 | \$553,154.46 |
| 30-Jun-2039 | \$553,154.46 |
| 30-Sep-2039 | \$553,154.46 |
| 30-Dec-2039 | \$553,154.46 |
| 30-Mar-2040 | \$553,154.46 |
| 30-Jun-2040 | \$553,154.46 |
| 30-Sep-2040 | \$553,154.46 |
| 30-Dec-2040 | \$553,154.46 |
| 30-Mar-2041 | \$553,154.46 |
| 30-Jun-2041 | \$553,154.46 |
| 30-Sep-2041 | \$553,154.46 |
| 30-Dec-2041 | \$553,154.46 |
| 30-Mar-2042 | \$553,154.46 |
| 30-Jun-2042 | \$553,154.46 |

| PAYMENT DATE | PAYMENT |
|---------------------|----------------|
| 30-Sep-2042 | \$553,154.46 |
| 30-Dec-2042 | \$553,155.16 |

[FORM OF SERIES 2010A NOTE]

SOUTHWEST POWER POOL, INC.

4.82% SERIES 2010-A SENIOR NOTE DUE DECEMBER 30, 2042

No. [_____]

[Date]

\$[_____]

PPN 84519# AC8

FOR VALUE RECEIVED, the undersigned, SOUTHWEST POWER POOL, INC. (herein called the “Company”), an Arkansas not-for-profit corporation, hereby promises to pay to [_____] or registered assigns, the principal sum of [_____] DOLLARS (or so much thereof as shall not have been prepaid) on December 30, 2042 with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance hereof at the rate of 4.82% per annum from the date hereof, payable quarterly, on the 30th day of March, June, September and December in each year and at maturity, commencing on March 30, 2011, until the principal hereof shall have become due and payable, and (b) to the extent permitted by law, at a rate per annum from time to time equal to 6.82%, on any overdue payment of interest and, during the continuance of an Event of Default, on the unpaid balance hereof and on any overdue payment of any Make-Whole Amount, payable quarterly as aforesaid (or, at the option of the registered holder hereof, on demand).

Payments of principal of, interest on and any Make-Whole Amount with respect to this Note are to be made in lawful money of the United States of America at the principal office of Bank of America, N.A. in New York, New York or at such other place as the Company shall have designated by written notice to the holder of this Note as provided in the Note Purchase Agreement referred to below.

This Note is one of a series of Senior Notes (herein called the “Notes”) issued pursuant to the Note Purchase Agreement, dated as of October 28, 2010 (as from time to time amended, supplemented or modified, the “Note Purchase Agreement”), between the Company and the respective Purchasers named therein and is entitled to the benefits thereof. Each holder of this Note will be deemed, by its acceptance hereof, to have (i) agreed to the confidentiality provisions set forth in Section 20 of the Note Purchase Agreement and (ii) made the representations set forth in Section 6.2 of the Note Purchase Agreement, *provided*, that in lieu thereof such holder may (in reliance upon information provided by the Company, which shall not be unreasonably withheld) make a representation to the effect that the purchase by any holder of any Note will not constitute a non-exempt prohibited transaction under section 406(a) of ERISA. Unless otherwise indicated, capitalized terms used in this Note shall have the respective meanings ascribed to such terms in the Note Purchase Agreement.

This Note is a registered Note and, as provided in the Note Purchase Agreement, upon surrender of this Note for registration of transfer, duly endorsed, or accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder’s attorney duly authorized in writing, a new Note for a like principal amount will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, the

Company may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Company will not be affected by any notice to the contrary.

The Company will make required prepayments of principal on the date and in the amounts specified in the Note Agreement. This Note is subject to optional prepayment, in whole or from time to time in part, at the times and on the terms specified in the Note Purchase Agreement, but not otherwise.

If an Event of Default, as defined in the Note Purchase Agreement, occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price (including any applicable Make-Whole Amount) and with the effect provided in the Note Purchase Agreement.

This Note shall be construed and enforced in accordance with, and the rights of the issuer and holder hereof shall be governed by, the law of the State of New York excluding choice-of-law principles of the law of such State that would require the application of the laws of a jurisdiction other than such State.

SOUTHWEST POWER POOL, INC.

By _____
Name: Nicholas A. Brown
Title: President and Chief Executive Officer

By _____
Name: Thomas P. Dunn
Title: Chief Financial Officer

[FORM OF SERIES 2010B NOTE]

SOUTHWEST POWER POOL, INC.

4.82% SERIES 2010-B SENIOR NOTE DUE DECEMBER 30, 2042

No. [_____]

[Date]

\$[_____]

PPN 84519# AD6

FOR VALUE RECEIVED, the undersigned, SOUTHWEST POWER POOL, INC. (herein called the “Company”), an Arkansas not-for-profit corporation, hereby promises to pay to [_____] or registered assigns, the principal sum of [_____] DOLLARS (or so much thereof as shall not have been prepaid) on December 30, 2042 with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance hereof at the rate of 4.82% per annum from the date hereof, payable quarterly, on the 30th day of March, June, September and December in each year and at maturity, commencing on March 30, 2011, until the principal hereof shall have become due and payable, and (b) to the extent permitted by law, at a rate per annum from time to time equal to 6.82%, on any overdue payment of interest and, during the continuance of an Event of Default, on the unpaid balance hereof and on any overdue payment of any Make-Whole Amount, payable quarterly as aforesaid (or, at the option of the registered holder hereof, on demand).

Payments of principal of, interest on and any Make-Whole Amount with respect to this Note are to be made in lawful money of the United States of America at the principal office of Bank of America, N.A. in New York, New York or at such other place as the Company shall have designated by written notice to the holder of this Note as provided in the Note Purchase Agreement referred to below.

This Note is one of a series of Senior Notes (herein called the “Notes”) issued pursuant to the Note Purchase Agreement, dated as of October 28, 2010 (as from time to time amended, supplemented or modified, the “Note Purchase Agreement”), between the Company and the respective Purchasers named therein and is entitled to the benefits thereof. Each holder of this Note will be deemed, by its acceptance hereof, to have (i) agreed to the confidentiality provisions set forth in Section 20 of the Note Purchase Agreement and (ii) made the representations set forth in Section 6.2 of the Note Purchase Agreement, *provided*, that in lieu thereof such holder may (in reliance upon information provided by the Company, which shall not be unreasonably withheld) make a representation to the effect that the purchase by any holder of any Note will not constitute a non-exempt prohibited transaction under section 406(a) of ERISA. Unless otherwise indicated, capitalized terms used in this Note shall have the respective meanings ascribed to such terms in the Note Purchase Agreement.

This Note is a registered Note and, as provided in the Note Purchase Agreement, upon surrender of this Note for registration of transfer, duly endorsed, or accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder’s attorney duly authorized in writing, a new Note for a like principal amount will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, the

Company may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Company will not be affected by any notice to the contrary.

The Company will make required prepayments of principal on the date and in the amounts specified in the Note Agreement. This Note is subject to optional prepayment, in whole or from time to time in part, at the times and on the terms specified in the Note Purchase Agreement, but not otherwise.

If an Event of Default, as defined in the Note Purchase Agreement, occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price (including any applicable Make-Whole Amount) and with the effect provided in the Note Purchase Agreement.

This Note shall be construed and enforced in accordance with, and the rights of the issuer and holder hereof shall be governed by, the law of the State of New York excluding choice-of-law principles of the law of such State that would require the application of the laws of a jurisdiction other than such State.

SOUTHWEST POWER POOL, INC.

By _____
Name: Nicholas A. Brown
Title: President and Chief Executive Officer

By _____
Name: Thomas P. Dunn
Title: Chief Financial Officer

[FORM OF SERIES 2010C NOTE]

SOUTHWEST POWER POOL, INC.

3.55% SERIES 2010-C SENIOR NOTE DUE MARCH 30, 2024

No. [_____]
\$[_____]

[Date]
PPN 84519# AE4

FOR VALUE RECEIVED, the undersigned, SOUTHWEST POWER POOL, INC. (herein called the "Company"), an Arkansas not-for-profit corporation, hereby promises to pay to [_____] or registered assigns, the principal sum of [_____] DOLLARS (or so much thereof as shall not have been prepaid) on March 30, 2024 with interest (computed on the basis of a 360-day year of twelve 30-day months) (a) on the unpaid balance hereof at the rate of 3.55% per annum from the date hereof, payable quarterly, on the 30th day of March, June, September and December in each year and at maturity, commencing on June 30, 2011, until the principal hereof shall have become due and payable, and (b) to the extent permitted by law, at a rate per annum from time to time equal to 5.55%, on any overdue payment of interest and, during the continuance of an Event of Default, on the unpaid balance hereof and on any overdue payment of any Make-Whole Amount, payable quarterly as aforesaid (or, at the option of the registered holder hereof, on demand).

Payments of principal of, interest on and any Make-Whole Amount with respect to this Note are to be made in lawful money of the United States of America at the principal office of Bank of America, N.A. in New York, New York or at such other place as the Company shall have designated by written notice to the holder of this Note as provided in the Note Purchase Agreement referred to below.

This Note is one of a series of Senior Notes (herein called the "Notes") issued pursuant to the Note Purchase Agreement, dated as of October 28, 2010 (as from time to time amended, supplemented or modified, the "Note Purchase Agreement"), between the Company and the respective Purchasers named therein and is entitled to the benefits thereof. Each holder of this Note will be deemed, by its acceptance hereof, to have (i) agreed to the confidentiality provisions set forth in Section 20 of the Note Purchase Agreement and (ii) made the representations set forth in Section 6.2 of the Note Purchase Agreement, provided, that in lieu thereof such holder may (in reliance upon information provided by the Company, which shall not be unreasonably withheld) make a representation to the effect that the purchase by any holder of any Note will not constitute a non-exempt prohibited transaction under section 406(a) of ERISA. Unless otherwise indicated, capitalized terms used in this Note shall have the respective meanings ascribed to such terms in the Note Purchase Agreement.

This Note is a registered Note and, as provided in the Note Purchase Agreement, upon surrender of this Note for registration of transfer, duly endorsed, or accompanied by a written instrument of transfer duly executed, by the registered holder hereof or such holder's attorney duly authorized in writing, a new Note for a like principal amount will be issued to, and registered in the name of, the transferee. Prior to due presentment for registration of transfer, the

Company may treat the person in whose name this Note is registered as the owner hereof for the purpose of receiving payment and for all other purposes, and the Company will not be affected by any notice to the contrary.

The Company will make required prepayments of principal on the date and in the amounts specified in the Note Agreement. This Note is subject to optional prepayment, in whole or from time to time in part, at the times and on the terms specified in the Note Purchase Agreement, but not otherwise.

If an Event of Default, as defined in the Note Purchase Agreement, occurs and is continuing, the principal of this Note may be declared or otherwise become due and payable in the manner, at the price (including any applicable Make-Whole Amount) and with the effect provided in the Note Purchase Agreement.

This Note shall be construed and enforced in accordance with, and the rights of the issuer and holder hereof shall be governed by, the law of the State of New York excluding choice-of-law principles of the law of such State that would require the application of the laws of a jurisdiction other than such State.

SOUTHWEST POWER POOL, INC.

By _____
Name: Nicholas A. Brown
Title: President and Chief Executive Officer

By _____
Name: Thomas P. Dunn
Title: Chief Financial Officer

**FORM OF OPINION OF SPECIAL COUNSEL
TO THE COMPANY**

The closing opinion of Mitchell, Williams, Selig, Gates & Woodyard, P.L.L.C., special counsel to the Company, which is called for by Section 4.4 of the Note Purchase Agreement, shall be dated the date of Closing and addressed to the Purchasers, shall be satisfactory in scope and form to each Purchaser and shall be to the effect that:

1. The Note Purchase Agreement has been duly authorized by all necessary corporate action on the part of the Company, has been duly executed and delivered by the Company and constitutes the legal, valid and binding contract of the Company enforceable against the Company in accordance with its terms, subject to bankruptcy, insolvency, fraudulent conveyance and similar laws affecting creditors' rights generally, and general principles of equity (regardless of whether the application of such principles is considered in a proceeding in equity or at law).
2. The Notes constitute the legal, valid and binding contract of the Company enforceable against the Company in accordance with their terms, subject to bankruptcy, insolvency, fraudulent conveyance and similar laws affecting creditors' rights generally, and general principles of equity (regardless of whether the application of such principles is considered in a proceeding in equity or at law).
3. The issuance and sale of the Notes, the execution, delivery and performance by the Company of the Note Purchase Agreement do not violate any provision of any law or other rule or regulation of any Governmental Authority applicable to the Company.
4. No approval, consent or withholding of objection on the part of, or filing, registration or qualification with, any governmental body, Federal or state, is necessary in connection with the execution and delivery of the Note Purchase Agreement or the Notes.
5. The issuance, sale and delivery of the Notes under the circumstances contemplated by the Note Purchase Agreement do not, under existing law, require the registration of the Notes under the Securities Act of 1933, as amended, or the qualification of an indenture under the Trust Indenture Act of 1939, as amended.
6. Neither the issuance of the Notes nor the application of the proceeds of the sale of the Notes will violate or result in a violation of Section 7 of the Securities Exchange Act of 1934, as amended, or any regulation issued pursuant thereto, including, without limitation, Regulation T, U or X of the Board of Governors of the Federal Reserve System.
7. The Company is not an "investment company" or a company "controlled" by an "investment company," within the meaning of the Investment Company Act of 1940, as amended.

The opinion of Mitchell, Williams, Selig, Gates & Woodyard, P.L.L.C. , shall cover such other matters relating to the sale of the Notes as each Purchaser may reasonably request and successors and assigns of the Purchasers shall be entitled to rely on such opinion. With respect to matters of fact on which such opinion is based, such counsel shall be entitled to rely on appropriate certificates of public officials and other officers of the Company.

**FORM OF OPINION OF GENERAL COUNSEL
TO THE COMPANY**

The closing opinion of Stacy L. Duckett, general counsel to the Company, which is called for by Section 4.4 of the Note Purchase Agreement, shall be dated the date of Closing and addressed to the Purchasers, shall be satisfactory in scope and form to each Purchaser and shall be to the effect that:

1. The Company is a corporation, duly incorporated, validly existing and in good standing under the laws of its jurisdiction of incorporation and is duly licensed or qualified and is in good standing as a foreign corporation in each jurisdiction in which the character of the properties owned or leased by it or the nature of the business transacted by it makes such licensing or qualification necessary except in jurisdictions where the failure to be so qualified or licensed would not have a material adverse effect on the business of the Company. The Company has the full corporate power and authority to execute, deliver and perform the Note Purchase Agreement and to issue the Notes and to conduct the activities in which it is now engaged.
2. The Note Purchase Agreement has been duly authorized by all necessary corporate action on the part of the Company, has been duly executed and delivered by the Company and constitutes the legal, valid and binding contract of the Company enforceable against the Company in accordance with its terms, subject to bankruptcy, insolvency, fraudulent conveyance and similar laws affecting creditors' rights generally, and general principles of equity (regardless of whether the application of such principles is considered in a proceeding in equity or at law).
3. The Notes have been duly authorized by all necessary corporate action on the part of the Company, have been duly executed and delivered by the Company and constitute the legal, valid and binding contract of the Company enforceable against the Company in accordance with their terms, subject to bankruptcy, insolvency, fraudulent conveyance and similar laws affecting creditors' rights generally, and general principles of equity (regardless of whether the application of such principles is considered in a proceeding in equity or at law).
4. The issuance and sale of the Notes, the execution, delivery and performance by the Company of the Note Purchase Agreement do not conflict with or result in any breach of any of the provisions of or constitute a default under or result in the creation or imposition of any Lien upon any property of the Company pursuant to the provisions of the Articles or Certificate of Incorporation or By-laws, or such similar organizational or governing instrument, as the case may be, of the Company or any agreement or other instrument known to such counsel to which the Company is a party or by which the Company may be bound.
5. There are no actions, suits or proceedings pending or, to the knowledge of such counsel after due inquiry, threatened against or affecting the Company or any Subsidiary in any

court or before any governmental authority or arbitration board or tribunal which, if adversely determined, would have a materially adverse effect on the properties, business, profits or condition, (financial or otherwise) of the Company and its Subsidiaries or the ability of the Company to perform its obligations under the Note Purchase Agreement and the Notes or on the legality, validity or enforceability of the Company's obligations under the Note Purchase Agreement and the Notes. To the knowledge of such counsel, neither the Company nor any Subsidiary is in default with respect to any court or governmental authority, or arbitration board or tribunal.

The opinion of Stacy L. Duckett, shall cover such other matters relating to the sale of the Notes as each Purchaser may reasonably request and successors and assigns of the Purchasers shall be entitled to rely on such opinion. With respect to matters of fact on which such opinion is based, such counsel shall be entitled to rely on appropriate certificates of public officials and other officers of the Company.

**FORM OF OPINION OF SPECIAL COUNSEL
TO THE PURCHASERS**

The closing opinion of Chapman and Cutler LLP, special counsel to the Purchasers, called for by Section 4.4 of the Note Purchase Agreement, shall be dated the date of Closing and addressed to each Purchaser, shall be satisfactory in form and substance to each Purchaser and shall be to the effect that:

1. The Note Purchase Agreement has been duly authorized by all necessary corporate action on the part of the Company, has been duly executed and delivered by the Company and constitutes the legal, valid and binding contract of the Company enforceable in accordance with its terms, subject to bankruptcy, insolvency, fraudulent conveyance and similar laws affecting creditors' rights generally, and general principles of equity (regardless of whether the application of such principles is considered in a proceeding in equity or at law).

2. The Series 2010 Notes have been duly authorized by all necessary corporate action on the part of the Company, and the Notes being delivered on the date hereof have been duly executed and delivered by the Company and constitute the legal, valid and binding obligations of the Company enforceable in accordance with their terms, subject to bankruptcy, insolvency, fraudulent conveyance and similar laws affecting creditors' rights generally, and general principles of equity (regardless of whether the application of such principles is considered in a proceeding in equity or at law).

3. The issuance, sale and delivery of the Series 2010 Notes and the execution and delivery of the Subsidiary Guaranty under the circumstances contemplated by the Note Purchase Agreement and the Subsidiary Guaranty do not, under existing law, require the registration of the Series 2010 Notes or the Subsidiary Guaranty under the Securities Act of 1933, as amended, or the qualification of an indenture under the Trust Indenture Act of 1939, as amended.

With respect to matters of fact upon which such opinion is based, Chapman and Cutler LLP may rely on appropriate certificates of public officials and officers of the Company and upon representations of the Company and the Purchasers delivered in connection with the issuance and sale of the Series 2010 Notes.

The opinion of Chapman and Cutler LLP is limited to the laws of the State of New York and, solely for purposes of opinion 3 above, the Federal laws of the United States.

SOUTHWEST POWER POOL, INC.

[NUMBER] SUPPLEMENT TO NOTE PURCHASE AGREEMENT

Dated as of _____

Re: \$_____ % Series _____ Senior Notes
 DUE _____

EXHIBIT S
(to Note Purchase Agreement)

SOUTHWEST POWER POOL, INC.

[STREET ADDRESS]

[CITY, STATE ZIP]

Dated as of

_____, 20__

To the Purchaser(s) named in
Schedule A hereto

Ladies and Gentlemen:

This [Number] Supplement to Note Purchase Agreement (the "*Supplement*") is between SOUTHWEST POWER POOL, INC., an Arkansas not-for-profit corporation (the "*Company*"), and the institutional investors named on Schedule A attached hereto (the "*Purchasers*").

Reference is hereby made to that certain Note Purchase Agreement dated as of October 28, 2010 (the "*Note Purchase Agreement*") between the Company and the purchasers listed on Schedule A thereto. All capitalized terms not otherwise defined herein shall have the same meaning as specified in the Note Purchase Agreement. Reference is further made to Section 4.14 of the Note Purchase Agreement which requires that, prior to the delivery of any Additional Notes, the Company and each Additional Purchaser shall execute and deliver a Supplement.

The Company hereby agrees with the Purchaser(s) as follows:

1. The Company has authorized the issue and sale of \$_____ aggregate principal amount of its _____% Series _____ Senior Notes due _____, ____ (the "*Series _____ Notes*"). The Series _____ Notes, together with the Series 2010 Notes [and the Series _____ Notes] initially issued pursuant to the Note Purchase Agreement [and the _____ Supplement] and each series of Additional Notes which may from time to time hereafter be issued pursuant to the provisions of Section 2.2 of the Note Purchase Agreement, are collectively referred to as the "*Notes*" (such term shall also include any such notes issued in substitution therefor pursuant to Section 13 of the Note Purchase Agreement). The Series _____ Notes shall be substantially in the form set out in Exhibit 1 hereto with such changes therefrom, if any, as may be approved by the Purchaser(s) and the Company.

2. Subject to the terms and conditions hereof and as set forth in the Note Purchase Agreement and on the basis of the representations and warranties hereinafter set forth, the Company agrees to issue and sell to each Purchaser, and each Purchaser agrees to purchase from the Company, Series _____ Notes in the principal amount set forth opposite such Purchaser's name on Schedule A hereto at a price of 100% of the principal amount thereof on the closing date hereinafter mentioned.

3. The sale and purchase of the Series _____ Notes to be purchased by each Purchaser shall occur at the offices of [_____] at 10:00 A.M. Chicago time, at a closing (the “Closing”) on _____, ____ or on such other Business Day thereafter on or prior to _____, ____ as may be agreed upon by the Company and the Purchasers. At the Closing, the Company will deliver to each Purchaser the Series _____ Notes to be purchased by such Purchaser in the form of a single Series _____ Note (or such greater number of Series _____ Notes in denominations of at least \$100,000 as such Purchaser may request) dated the date of the Closing and registered in such Purchaser’s name (or in the name of such Purchaser’s nominee), against delivery by such Purchaser to the Company or its order of immediately available funds in the amount of the purchase price therefor by wire transfer of immediately available funds for the account of the Company to account number [_____] at _____ Bank, *[Insert Bank address, ABA number for wire transfers, and any other relevant wire transfer information]*. If, at the Closing, the Company shall fail to tender such Series _____ Notes to any Purchaser as provided above in this Section 3, or any of the conditions specified in Section 4 shall not have been fulfilled to any Purchaser’s satisfaction, such Purchaser shall, at such Purchaser’s election, be relieved of all further obligations under this Agreement, without thereby waiving any rights such Purchaser may have by reason of such failure or such nonfulfillment.

4. The obligation of each Purchaser to purchase and pay for the Series _____ Notes to be sold to such Purchaser at the Closing is subject to the fulfillment to such Purchaser’s satisfaction, prior to the Closing, of the conditions set forth in Section 4 of the Note Purchase Agreement with respect to the Series _____ Notes to be purchased at the Closing, and to the following additional conditions:

(a) Except as supplemented, amended or superceded by the representations and warranties set forth in Exhibit A hereto, each of the representations and warranties of the Company set forth in Section 5 of the Note Purchase Agreement shall be correct as of the date of Closing and the Company shall have delivered to each Purchaser an Officer’s Certificate, dated the date of the Closing certifying that such condition has been fulfilled.

(b) Contemporaneously with the Closing, the Company shall sell to each Purchaser, and each Purchaser shall purchase, the Series _____ Notes to be purchased by such Purchaser at the Closing as specified in Schedule A.

5. [Here insert special provisions for Series _____ Notes including prepayment provisions applicable to Series _____ Notes (including Make-Whole Amount) and closing conditions applicable to Series _____ Notes].

6. Each Purchaser represents and warrants that the representations and warranties set forth in Section 6 of the Note Purchase Agreement are true and correct on the date hereof with respect to the purchase of the Series _____ Notes by such Purchaser.

7. The Company and each Purchaser agree to be bound by and comply with the terms and provisions of the Note Purchase Agreement as fully and completely as if such Purchaser were an original signatory to the Note Purchase Agreement.

The execution hereof shall constitute a contract between the Company and the Purchaser(s) for the uses and purposes hereinabove set forth, and this agreement may be executed in any number of counterparts, each executed counterpart constituting an original but all together only one agreement.

SOUTHWEST POWER POOL, INC.

By _____
Name: _____
Title: _____

Accepted as of _____, _____

[VARIATION]

By _____
Name: _____
Title: _____

INFORMATION RELATING TO PURCHASERS

NAME AND ADDRESS OF PURCHASER

PRINCIPAL
AMOUNT OF SERIES
_____ NOTES TO
BE PURCHASED

[NAME OF PURCHASER]

\$

- (1) All payments by wire transfer of
immediately available funds to:

with sufficient information to identify the
source and application of such funds.

- (2) All notices of payments and written
confirmations of such wire transfers:

- (3) All other communications:

SUPPLEMENTAL REPRESENTATIONS

The Company represents and warrants to each Purchaser that except as hereinafter set forth in this Exhibit A, each of the representations and warranties set forth in Section 5 of the Note Purchase Agreement is true and correct in all material respects as of the date hereof with respect to the Series _____ Notes with the same force and effect as if each reference to “Series 2010 Notes” set forth therein was modified to refer the “Series _____ Notes” and each reference to “this Agreement” therein was modified to refer to the Note Purchase Agreement as supplemented by the _____ Supplement. The Section references hereinafter set forth correspond to the similar sections of the Note Purchase Agreement which are supplemented hereby:

Section 5.3. Disclosure. The Company, through its agent, Banc of America Securities LLC has delivered to each Purchaser a copy of a Private Placement Memorandum, dated _____ (the “Memorandum”), relating to the transactions contemplated by the _____ Supplement. The Memorandum fairly describes, in all material respects, the general nature of the business and principal properties of the Company and its Subsidiaries. The Note Purchase Agreement, the Memorandum, the documents, certificates or other writings delivered to each Purchaser by or on behalf of the Company in connection with the transactions contemplated by the Note Purchase Agreement and the _____ Supplement and the financial statements listed in Schedule 5.5 to the _____ Supplement, taken as a whole, do not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading in light of the circumstances under which they were made. Since _____, there has been no change in the financial condition, operations, business, properties or prospects of the Company or any Subsidiary except changes that individually or in the aggregate would not reasonably be expected to have a Material Adverse Effect. There is no fact known to the Company that would reasonably be expected to have a Material Adverse Effect that has not been set forth herein or in the Memorandum or in the other documents, certificates and other writings delivered to each Purchaser by or on behalf of the Company specifically for use in connection with the transactions contemplated hereby.

Section 5.4. Organization and Ownership of Shares of Subsidiaries. (a) Schedule 5.4 to the _____ Supplement contains (except as noted therein) complete and correct lists of (i) the Company’s Subsidiaries, and showing, as to each Subsidiary, the correct name thereof, the jurisdiction of its organization, and the percentage of shares of each class of its capital stock or similar equity interests outstanding owned by the Company and each other Subsidiary, and all other Investments of the Company and its Subsidiaries, (ii) the Company’s Affiliates, other than Subsidiaries, and (iii) the Company’s directors and senior officers.

Section 5.13. Private Offering by the Company. Neither the Company nor anyone acting on its behalf has offered the Series __ Notes or any similar securities for sale to, or solicited any offer to buy any of the same from, or otherwise approached or negotiated in respect thereof with, any Person other than the Purchasers and not more than [_____] other Institutional Investors, each of which has been offered the Series _____ Notes at a private sale for investment. Neither the Company nor anyone acting on its behalf has taken, or will take, any action that would

subject the issuance or sale of the Notes to the registration requirements of Section 5 of the Securities Act.

Section 5.14. Use of Proceeds; Margin Regulations. The Company will apply the proceeds of the sale of the Series _____ Notes to _____ and for general corporate purposes. No part of the proceeds from the sale of the Series _____ Notes pursuant to the _____ Supplement will be used, directly or indirectly, for the purpose of buying or carrying any margin stock within the meaning of Regulation U of the Board of Governors of the Federal Reserve System (12 CFR 221), or for the purpose of buying or carrying or trading in any securities under such circumstances as to involve the Company in a violation of Regulation X of said Board (12 CFR 224) or to involve any broker or dealer in a violation of Regulation T of said Board (12 CFR 220). Margin stock does not constitute more than 2% of the value of the consolidated assets of the Company and its Subsidiaries and the Company does not have any present intention that margin stock will constitute more than 2% of the value of such assets. As used in this Section, the terms “margin stock” and “purpose of buying or carrying” shall have the meanings assigned to them in said Regulation U.

Section 5.15. Existing Debt; Future Liens. (a) Schedule 5.15 to the _____ Supplement sets forth a complete and correct list of all outstanding Debt of the Company and its Subsidiaries as of _____, since which date there has been no Material change in the amounts, interest rates, sinking funds, installment payments or maturities of the Debt of the Company or its Subsidiaries. Neither the Company nor any Subsidiary is in default and no waiver of default is currently in effect, in the payment of any principal or interest on any Debt of the Company or such Subsidiary and no event or condition exists with respect to any Debt of the Company or any Subsidiary that would permit (or that with notice or the lapse of time, or both, would permit) one or more Persons to cause such Debt to become due and payable before its stated maturity or before its regularly scheduled dates of payment.

[Add any additional Sections as appropriate at the time the Series _____ Notes are issued]

EXHIBIT 2**FEES ASSOCIATED WITH THE ISSUANCE
OF THE SERIES 2012D-1 NOTES****\$50,000,000 3.25% Series 2012D-2 Senior Notes due September 30, 2024**
("Series 2012D-2 Notes")

| | |
|--|------------------------|
| 1. Face value or principal amount | \$50,000,000.00 |
| 2. Plus premium or less discount | \$0 |
| 3. Gross proceeds | <u>\$50,000,000.00</u> |
| 4. Underwriters' spread or commission (Placement Agent's Fee) | \$0 ¹ |
| 5. Securities and Exchange Commission registration fee | \$0 |
| 6. State mortgage registration tax | \$0 |
| 7. State commission fee | \$0 |
| 8. Fee for recording indenture | \$0 |
| 9. United States document tax | \$0 |
| 10. Printing and engraving expenses | \$0 |
| 11. Trustee's charges | \$0 |
| 12. Counsel fees | \$14,000.42 |
| 13. Accountant's fees | \$0 |
| 14. Cost of listing | \$0 |
| 15. Miscellaneous expenses | \$0 |
| 16. Total deductions | <u>\$14,000.42</u> |
| 17. Net amount realized | <u>\$49,534,016.10</u> |

¹ Southwest Power Pool, Inc. was authorized by the Commission and the Federal Energy Regulatory Commission ("FERC") to issue promissory notes in an aggregate principal amount of not to exceed \$125,000,000 pursuant to the terms of the Commission's Order No. 2 in Docket No. 12-009-U and FERC order in *Southwest Power Pool, Inc.* 139 FERC ¶ 62,002 (2012). The placement agent contemporaneously arranged for the sale of the Series 2012D-2 Notes and the \$50,000,000 3.00% Series 2012D-1 Senior Notes ("Series 2012D-1 Notes") pursuant to the terms of the same First Supplement to Note Purchase Agreement dated as of May 30, 2012 ("Agreement"). However, under the terms of the Agreement, the Series 2012D-1 Notes were issued on May 30, 2012, and the Series 2012D-2 Notes were issued on November 30, 2012. Accordingly, because the sale of both series of promissory notes was arranged pursuant to the one Agreement, the Placement Agent's Fee was paid in full from the proceeds of the Series 2012D-1 Notes for the placement of both the Series 2012D-1 Notes and the Series 2012D-2 Notes.

EXHIBIT 3

DEBT ISSUANCE ACCOUNTING ENTRIES

**Debt Issuance
Accounting Entries**

| | Debit | Credit |
|----------------------------------|--------------|---------------|
| (1) Receipt of Proceeds | | |
| Cash | 50,000,000 | |
| Notes Payable | | 50,000,000 |
| (2) Payment of Legal Fees | | |
| Loan Acquisition Fees | 14,000 | |
| Cash | | 14,000 |

CERTIFICATE OF SERVICE

I, Erin E. Cullum, attorney for Southwest Power Pool, Inc., do hereby certify that I have, on this 19th day of December, 2012, duly served a true and correct copy of the above and foregoing pleading upon all parties of record by electronic mail.

A handwritten signature in black ink, reading "Erin E. Cullum", written over a horizontal line.

Erin E. Cullum