

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL DEVELOPMENT
Rural Utilities Service

BULLETIN 1717M-2

SUBJECT: Sale or Transfer of Capital Assets by Electric Borrower

TO: RUS Electric Borrowers and RUS Electric Staff

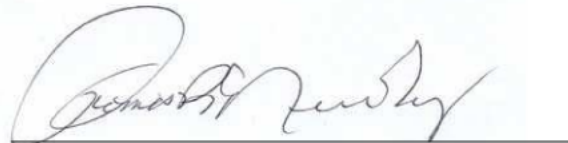
EFFECTIVE DATE: Date of Approval.

OFFICE OF PRIMARY INTEREST: Policy Analysis and Loan Management Branch, Office of the Assistant Administrator, Electric Program

INSTRUCTIONS: This supersedes RUS Bulletin 115-1, Sales of Capital Assets by Electric Borrower," December 29, 1972.

AVAILABILITY: This bulletin can be accessed via the internet at <http://www.usda.gov/rus/electric/bulletins.htm>.

PURPOSE: To set forth Rural Utilities Service guidelines to be followed in the sale of capital assets of electric borrowers



James R. Newby
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February 9, 2005

Date

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Exhibits

- Exhibit A – Sample format Partial Release for Use Where Capital Assets Secured Only by Mortgages
- Exhibit B – Sample format Partial Release for Use Where Capital Assets Secured Only by Deeds of Trust
- Exhibit C – Sample format Partial Release for Use Where Capital Assets Secured by Both Mortgages and Deeds of Trust
- Exhibit D – Sample format Partial Release for Use Where Uniform Commercial Code Provision Applies
- Exhibit E – RUS Form 369, “Request for Approval to Sell Capital Assets”

INDEX:

PROPERTY:

Sales by Electric Borrower

REAL ESTATE:

Sales by Electric Borrowers

SALES OF PROPERTY:

SPECIAL PAYMENTS:

Sales of Capital Assets

ABBREVIATIONS

The following abbreviations are defined in § 1710.2

DSC	Debt Service Coverage
ODSC	Operating Debt Service Coverage
OTIER	Operating Times Interest Earned Ratio
RUS	Rural Utilities Service
TIER	Times Interest Earned Ratio

DEFINITIONS

Construction Fund Trustee Account as defined in 7 CFR 11718.104, Section 5.21.

Mortgagee as defined in 7 CFR 1718.54, Article I

Net Utility Plant as defined in 1717.602

Sales Agreement – A legal agreement between the purchaser and seller stating the terms and conditions of a sale.

SO₂ allowances – Allowances authorized a unit within an utility or industrial source to emit one ton of sulfur dioxide during a given year thereafter. Allowances are fully marketable commodities. Once allocated, allowances may be bought, sold traded, or banked for use in future years.

FORMS

RUS Form 369, "Request for Approval to Sell Capital Assets"

1 PURPOSE

The purpose of this bulletin is to set forth Rural Utilities Service (RUS) policies and procedures to be followed in the sale of capital assets of electric borrowers. Capital assets include all tangible and intangible utility plant, SO₂ allowances, construction in progress, non-utility property, material supplies and equipment normally used in the system. For purposes of this bulletin, sales include: sales, either voluntary or resulting from condemnation procedures; transfers by assumption of indebtedness; exchanges or trades of properties between RUS borrowers or between RUS borrowers and non-RUS borrowers. This bulletin applies to materials, supplies and equipment used in borrowers' systems, but not to materials, supplies, appliances and equipment held primarily for merchandising.

2 GENERAL

All capital assets of RUS borrowers are ordinarily mortgaged or pledged to the Federal Government as security for RUS loans. Loans made by the National Rural Utilities Cooperative Finance Corporation (CFC) or other lenders are generally secured by a mortgage containing similar pledges to such supplemental lenders. The Rural Electrification Act of 1936, as amended, and the various security instruments limit a borrower's right to dispose of its capital assets without appropriate prior approval of RUS and any secured lenders. If a sale involves two borrowers, the borrower who is the seller should contact its assigned Washington, DC RUS regional division or Power Supply Division (PSD) to request approval for the sale transaction.

3 REQUIREMENTS FOR ALL SALES

- a The selling price shall be not less than the fair market value of the capital asset;
- b The sale shall be in the best interests of the mortgagee(s);
- c All approvals required by law, by the articles of incorporation, the bylaws of the seller or the mortgagee(s), shall be obtained prior to delivery of the asset;
- d In the case of transactions involving exchanges or trades of plant in place between an RUS borrower and a non-RUS borrower, the borrower must provide evidence, satisfactory to RUS, that the exchange or trade is equitable to the RUS borrower and that the plant acquired in the exchange or trade can be economically integrated into the borrower's system (See paragraph 3e of this bulletin); and
- e Unless the seller, as an existing RUS borrower, is dissolved, its electric system after the sale will constitute a satisfactory operating unit and the sale will not jeopardize the repayment of the seller's RUS and other loans. If the purchaser is an RUS borrower, the same determinations shall also be made with respect to the purchaser's operations and loan repayment.

4 METHOD OF HANDLING SALES

Sales of capital assets generally shall be for cash. A release of capital assets from the Government's lien and liens of other secured lenders may be required for the consummation of the sale even in cases where general RUS approval is hereby given in accordance with all applicable regulations and as indicated below. Where a release of lien is required (see Section 8).

- a Sales for which RUS approval is not required:
- (1) A borrower may without the prior approval of RUS sell, lease, or transfer any capital asset if the following conditions are met:
 - (a) The borrower is not in default and is not a restructured borrower;
 - (b) The borrower achieved a TIER of at least 1.25 for distribution borrowers and 1.05 for power supply borrower, DSC of at least 1.25 for distribution borrowers and 1.0 for power supply borrowers, OTIER of at least 1.1 for distribution borrowers, and ODSC of at least 1.1 for distribution borrowers. For all four financial indices the values should be based on the average or the best 2 out of the 3 most recent years;
 - (c) The sale, lease, or transfer of assets will not reduce the borrower's existing or future requirements for energy or capacity being furnished to the borrower under any wholesale power contract which has been pledged as security to the government;
 - (d) Fair market value is obtained for the assets;
 - (e) No employee or board member of the organization has a personal financial interest in the sale of the capital asset, and
 - (f) The aggregate value of assets sold, leased, or transferred in any 12-month period is less than 10 percent of the borrower's net utility plant prior to the transaction for distribution borrowers and no more than \$5 million for power supply borrowers.

b Sales for Which RUS Approval is not Required but Where the Purchaser Requests a Partial Release of Lien: A transmittal letter should be provided to RUS along with a certified copy of the board resolution authorizing the sale. The partial release of lien should be prepared by the borrower's attorney or by the attorney of the purchaser of the property. It is the borrower's responsibility to assure the accuracy and legal effectiveness of a proposed release. When a partial release of lien requires execution and acknowledgement by a mortgagee, such execution and acknowledgment by the other mortgagee should be obtained by the borrower. This transmittal letter should contain the following information:

- (1) Name and address of purchaser;
- (2) Approximate original cost;
- (3) Selling Price;
- (4) A statement that the borrower received fair market value for the property being sold;
- (5) A statement that the proceeds have been or will be deposited into the Construction Fund Trustee Account or will be applied as a prepayment on all debt secured under the mortgage, equally and proportionally, and
- (6) A statement from the manager stating that there was no distribution of funds to any employees or board members. If any amount of funds arising from the sale have been distributed to employees and/or board members, specific identification of the employees and/or board members, and reasons why funds were provided to those persons (if applicable) must be stated in the transmittal letter.

Note: In lieu of including this information in the transmittal letter the borrower may provide an informational copy of the RUS Form 369, "Request for Approval to Sell Capital Assets" (See Exhibit E).

c Sales for Which RUS Approval is Required

- (1) If the Federal Government is the sole lien holder on the borrower's capital assets, approval of the sale by the Federal Government will be indicated on RUS Form 369, when returned to the seller.
- (2) If the Federal Government holds a lien jointly with supplemental lenders, joint approval for the sale will be necessary and the borrower will forward the following:

- (a) Information should be forwarded directly to RUS and one copy to all supplemental lenders;
- (b) The board resolution in these instances should direct the request to both RUS and all the supplemental lenders;
- (c) When approved by RUS, the information will be forwarded by RUS to the supplemental lenders (and a notice letter advising that RUS has forwarded this information to supplemental lenders will be issued by RUS to the borrower), and
- (d) The supplemental lenders will be instructed, in the RUS transmittal memorandum, to execute the documents and return them to the seller. The supplemental lenders will also be instructed to notify RUS when the completed documents are returned to seller.

5 DISPOSITION OF PROCEEDS

The disposition of proceeds from the sale or transfer of a capital asset should be the same regardless of whether or not RUS approval of the sale is required. Proceeds from individual sales of property whose gross proceeds total less than \$5,000 should be deposited into the general fund account and used for purposes related to the utility business as determined by the management of the borrower. Proceeds from individual sales of property whose gross proceeds total \$5,000 or more, should be distributed and accounted for as follows:

- a Deposited into the Construction Fund Trustee Account. When funds are deposited into the Construction Fund Trustee Account, the borrower will notify RUS in writing so that the budget records can be adjusted. The funds are to be used for the construction or acquisition of the borrower's Utility System;
- b Paid to RUS and any secured supplemental lenders if the borrower has concurrent loans outstanding, by application of such funds as a prepayment on the notes of all lenders pro-rata according to the aggregate unpaid principal amount of the notes then outstanding, as designated by the note-holders, and in accordance with the borrowers loan documents;
- c If the borrower has no concurrent supplemental loans outstanding, to RUS as a payment to be applied to the note or notes designated by the borrower or RUS, or
- d In the case of dispositions of SO₂ allowances, the funds from the sale of allowances should be deposited into the Construction Fund Trustee Account. If any entity desires to deposit the funds into the General Fund Account, specific RUS approval will be given on a case-by-case basis. Accompanying any request for approval to deposit the funds into the General Fund Account should be a

completed RUS Form 369 along with a summary of the anticipated disposition of funds from the General Fund Account.

- e In the case of dispositions of equipment, materials, or scrap, deposited into the General Fund Account to be used for the purchase of other property useful in the mortgagor's utility business, not necessarily of the same kind as the property disposed of, which is subject to the lien of the mortgage.

6 INFORMATION REQUIRED FOR RUS APPROVAL OF A SALE OF PROPERTY
(The borrower will send one copy of the following items to the supplemental lenders, if applicable.)

a All Sales:

- (1) The original signature copy of RUS Form 369 (See Exhibit E);
- (2) One certified copy of the board resolution setting forth the reasons for the proposed sale, the selling price, and indicating agreement on the terms and details except as provided if a condemnation is involved, a board resolution need not accompany RUS Form 369. Instead, a copy of the petition or complaint in the condemnation suit should be attached to RUS Form 369. Items 10, 11 and 12 of the RUS Form 369 may be completed by referring to the attachment. Item 14 need not be completed. The RUS Form 369 and a copy of the petition or complaint in the condemnation cases should be submitted to RUS promptly after the petition or complaint has been received by the borrower.
- (3) Partial release of lien (as necessary). The partial release of lien should be prepared by the borrower's attorney or by the attorney of the purchaser of the property. It will be the responsibility of the borrower and the borrower's attorney to assure the accuracy and legal effectiveness of a proposed release. When a partial release of lien requires execution and acknowledgement by a mortgagee, such execution and acknowledgment by the mortgagee should be obtained.

b Sales of Real Estate and Plant in Place: In addition to the information required for all sales, the seller will provide a brief description of the property being sold and a statement explaining why the asset is no longer needed for the borrower's system. The following information may also be required for sales of real estate and plant in place:

- (1) Except in condemnation cases, a statement of agreement between the seller and the purchaser on the proposed selling price. When applicable, include adjustments such as capital additions and retirements, depreciation, taxes, distribution of membership fees, deposits and contributions, prepaid and delinquent bills and accounts, insurance,

assignment of easements, the proposed closing date and other pertinent information. Generally the closing date selected should not be less than 90 days after the date the required information is forwarded to RUS;

- (2) A complete legal description supported by key and detail maps showing the location of lines or other capital assets to be sold;
- (3) A breakdown of consumers by classification showing number, mileage, average kWh usage, and revenues for the portion of lines being sold;
- (4) An inventory of lines on a priced assembly or record unit basis, or, in the case of facilities other than lines, a detailed breakdown of separable units and their costs;
- (5) Description and estimated costs of changes, if any, which must be made in the seller's system in order to maintain satisfactory operations after the sale has been completed;
- (6) Other pertinent data such as the physical condition of the property to be sold, a copy of the lease, if facilities to be sold are on leased land, and the approval of appropriate regulatory bodies where required;
- (7) The retail rates to be applied to the consumers on the lines being sold (comparative rate schedules), and
- (8) If the purchaser is another RUS borrower or a borrower from a supplemental lender, a description and the estimated costs of the changes, if any, necessary to integrate the properties being acquired with the purchaser's existing system for satisfactory operations.

c Installment Sales: If the purchaser is to pay the seller in installments, such information should be noted on Item 9 of the RUS Form 369. A sales agreement between the seller and the purchaser should be executed and the agreement should be assigned to the U. S. Government and the supplemental lenders, if applicable. The partial release of lien will not be executed by RUS, if applicable, until the final installment payment has been received by the seller (however, paragraph d of this section for the sale of Direct Broadcast Satellite (DBS) and Satellite TV systems). The disposition of the proceeds from installment sales will be the same as from cash sales (See Section 4 of this bulletin).

d Direct Broadcast Satellite (DBS) and Satellite TV Sales: These types of sales normally result in a significant profit by the borrower. As a result, RUS has adopted a policy whereby only an amount equal to the original cost of the property being sold is required to be deposited into the Construction Fund Trustee Account. The balance from the sale may be deposited into the borrower's general fund account. Because of the amount involved many borrowers elect to receive

the proceeds from the sale over a period of time (installments). In such cases, RUS will release its lien on the property being sold when the required funds (an amount equal to the original cost) have been deposited into the Construction Fund Trustee Account.

- e Exchanges: Transactions involving exchanges or trades of real estate or plant in place between a borrower and a non-RUS borrower will be considered on an individual case-by-case basis. The items listed Section 6 of this bulletin, will be required, as applicable.

7 EXPENDITURES FOR SALES

Expenditures by the seller in conjunction with the sale of capital assets will be properly accounted for and all documents retained for review when RUS conducts its next Loan Fund and Accounting Review.

8 PREPARATION OF THE RELEASE

In utilizing the appropriate sample formats of partial release, attorneys preparing a release of lien should give the following matters considerations:

- a A proper, exact legal description of the property to be released should be inserted. This description should correspond to the description contained in the instrument conveying the borrower's property to the grantee.
- b All mortgages, deeds of trust, and supplements thereto securing RUS or supplemental loans, where applicable, should be listed in the form. It is important that underlying security instruments be included, as well as current security instruments, since the mortgages and deeds of trust contain after-acquired property clauses and thus cover all property of the borrower theretofore and thereafter acquired. Security documents have generally been filed for record in all counties in which property of the borrower is located; the underlying security instruments are generally described in the "Whereas" clauses of the most recent mortgage or deed of trust.
- c The attorney should determine whether it is necessary or advisable to add, for each of the security instruments listed in the release, the recordation data relating to the particular county in which the property to be released is located.
- d An adequate number of copies of the partial release for recordation and for the records of the borrower, the purchaser, other mortgagees, and the trustee, if any, should be prepared for execution by RUS and other mortgagee. In addition, please furnish one copy for RUS records and for the records of any supplemental lenders.

- e Where a successor trustee has been appointed to succeed a trustee named in a deed of trust, a "Whereas" clause of the release should refer to this fact and to the recorded evidence of such appointment. Where a trustee corporation named in a deed of trust has merged with another institution, or has changed its name, a "Whereas" clause in the release should explain the variance in names between the named trustee and the trustee executing the partial release.
- f If a partial release of lien has recently been prepared and executed by RUS for the borrower, a review of this partial release will be helpful to the attorney in preparing the proposed new release. Any additional security instruments or supplements that may have been executed by the borrower subsequent to the earlier release should, of course, also be listed in the new release.
- g In order that RUS and other secured lenders may be in a position to execute the proposed release, the release must include the specific provision in the attached Exhibits A, B, and C to the effect that the release will not affect or impair the Government's liens or liens of supplemental financing organizations on other properties of the borrower not expressly released, and that the release is made without warranties and without recourse.
- h In the attached Exhibits A through D where an asterisk (*) appears after references to the Government, and in the margins indicating the appropriate line of each exhibit, insert the names of supplemental lenders who held mortgages and/or deeds of trust when the borrower has secured loans with CFC or other supplemental lenders.
- i Exhibits A through D are sample formats that have been included for guidance and assistance to attorneys preparing partial release of lien for execution by RUS, and where applicable, by other secured lenders.

EXHIBIT A

Partial Release for Use Where Capital Assets Secured Only by Mortgages*(For use where the lien of one or more mortgages is involved)*

PARTIAL RELEASE, dated as of _____, made by the UNITED STATES OF AMERICA (hereinafter called the "Government"),* to _____ (hereinafter called the "Corporation")

WHEREAS, the Corporation, to evidence loans made to the Corporation by the Government pursuant to the Rural Electrification Act of 1936, as amended, has executed certain mortgage notes (hereinafter collectively called the "Notes"), all payable to the order of the Government,* and

WHEREAS, the Corporation, to secure the Notes, has executed and delivered the following instruments to the Government* (hereinafter collectively called the "Security Instruments"):

InstrumentDate as of*(Here list all mortgages and supplemental mortgages securing RUS loans);*

and

WHEREAS, the indebtedness evidenced by the Notes is the only indebtedness as of the date hereof secured by the Security Instruments; and

WHEREAS, the Corporation has requested that certain property hereinafter described be released from the liens of the Security Instruments;

NOW, THEREFORE, THESE PRESENTS WITNESSETH that, in consideration of the sum of one dollar in hand paid by the Corporation to the Government* at the time of the delivery of these presents, the receipt whereof is hereby acknowledge, the Government* does (do) hereby release and discharge unto the Corporation, its successors and assigns, all right, title, interest, claim or demand whatsoever which the Government* may have acquired by or through the Security Instruments, or any of them, in and to the following described property, and does hereby quitclaim said property unto the Corporation, its successors and assigns forever:

(Add exact legal description of property to be released.)

TO HAVE AND TO HOLD said property unto the Corporation, its successors and assigns forever, free, clear and discharged of and from any and all liens and claims of the Government* under and by virtue of any or all the Security Instruments.

THIS RELEASE is made by the Government* and accepted by the Corporation on the express condition that it shall not in any way affect or impair the liens and security of the Security Instruments, or any of them, upon other premises and properties now subject thereto and not expressly released hereby. This release is made accepted without covenant or warranty, express or implied, at law or in equity, and without recourse to the Government,* in any event or in any contingency.

IN WITNESS WHEREOF, the Government* has (have) caused this instrument to be duly executed in its (their) behalf, all as of the day and year first above written.

CFC or OTHER MORTGAGEE

UNITED STATES OF AMERICA

by _____

by _____

(title) _____

(title) _____

For the Administrator of the
Rural Utilities Service

(Add appropriate form(s) of acknowledgment. Begin with "DISTRICT OF COLUMBIA" SS, and provide, in the appropriate place in the form, at least two blank lines or space for title of party (parties) signing.)

EXHIBIT B

Partial Release for Use Where Capital Assets Secured Only by Deeds of Trust

(For use of were the lien of one or more deeds of trust is involved)

PARTIAL RELEASE, dated as of _____, made by the (hereinafter called the "Trustee"), as trustee, to (hereinafter called the "Corporation").

WHEREAS, the Corporation, to evidence loans made pursuant to the Rural Electrification Act of 1936, as amended, has executed certain mortgage notes (hereinafter collectively called the "Notes"), all payable to the order of United States of America (hereinafter called the "Government"),* and

WHEREAS, the Corporation, to secure the Notes, has executed and delivered the following instruments to the Trustee (hereinafter collectively called the "Security Instruments"):

Instrument

Date as of

(Here list all deeds of trust and supplemental indentures securing RUS loans);

and

WHEREAS, the indebtedness evidenced by the Notes is the only indebtedness as of the date hereof secured by the Security Instruments; and

WHEREAS, the Corporation has requested that certain property hereinafter described be released from the liens of the Security Instruments;

NOW, THEREFORE, THESE PRESENTS WITNESSETH that, in consideration of the sum of one dollar in hand paid by the Corporation to the Trustee at the time of the delivery of these presents, the receipt whereof is hereby acknowledged, the Trustee does hereby release and discharge unto the Corporation, its successors and assigns, all right, title, interest, claim or demand whatsoever which the Trustee may have acquired by or through the Security Instruments, or any of them, in and to the following described property, and does hereby quitclaim said property unto the Corporation, its successors and assigns forever:

(Add exact legal description of the property to be released.)

TO HAVE AND TO HOLD said property unto the Corporation, its successors and assigns forever, free, clear and discharged of and from any and all liens and claims of the Trustee under and by virtue of any or all of the Security Instruments.

THIS RELEASE is made by the Trustee, consented to by the Government,* and accepted by the Corporation on the express condition that it shall not in any way affect or impair the liens and security of the Security Instruments, or any of them, upon other premises and properties now subject thereto and not expressly released hereby. This release is made and accepted without covenant or warranty, express or implied, at law or in equity, and without recourse to the Trustee or the Government,* in any contingency.

IN WITNESS WHEREOF, the Trustee has executed this instrument, and the Government* as holder of all of the Notes, has (have) caused this instrument to be duly executed in token of its (their) consent to the execution thereof by the Trustee, all as of the day and year first above written.

by (Insert name of Trustee)

(Seal)

(title) _____

Attest: _____

UNITED STATES OF AMERICA

(title) _____

by _____

(title) _____

For the Administrator of the
Rural Utilities Service

(Add appropriate form(s) of acknowledgment. Begin with "DISTRICT OF COLUMBIA" SS, and provide, in the appropriate place in the form, at least two blank lines or space for title of party (parties) signing.)

EXHIBIT C

Partial Release for Use Where Capital Assets Secured by Both Mortgages and Deeds of Trust

(For use where the lien of one or more mortgages and the lien of one or more deeds of trust are involved)

PARTIAL RELEASE, dated as of _____, made by the (hereinafter called the "Trustee"), as trustee, and the UNITED STATES OF AMERICA (hereinafter called the "Government)*, to (hereinafter called the "Corporation").

WHEREAS, the Corporation, to evidence loans made to the Corporation by the Government pursuant to the Rural Electrification Act of 1936, as amended, has executed certain mortgage notes (hereinafter collectively called the "Notes"), all payable to the order of the Government,* and

WHEREAS, the Corporation, to secure the Notes, has executed and delivered the following instruments (hereinafter collectively called the "Security Instruments") to the Trustee or the Government,* as the cause may be:

Instrument

Date as of

(Here list all deeds of trust, supplemental indentures, mortgages and supplemental mortgages securing RUS loans);

and

WHEREAS, the indebtedness evidenced by the Notes is the only indebtedness as of the date hereof secured by the Security Instruments; and

WHEREAS, the Corporation has requested that certain property hereinafter described be released from the liens of the Security Instruments;

NOW, THEREFORE, THESE PRESENTS WITNESSETH that, in consideration of the sum of one dollar in hand paid by the Corporation to the Trustee, and the sum of one dollar in hand paid by the Corporation to the Government,* at the time of the delivery of these presents, the receipt whereof is hereby acknowledged by the Trustee and the Government,* the Trustee and Government* do hereby release and discharge unto the Corporation, its successors and assigns, all right, title, interest, claim or demand whatsoever which the Trustee and the Government,* or either (any) of them, may have acquired by or through the Security Instruments, or any of them, in and do the following described property, and do hereby quitclaim the property unto the Corporation, its successors and assigns forever:

(Add exact legal description of property to be released.)

TO HAVE AND TO HOLD said property unto the Corporation, its successors and assigns forever, free, clear and discharged of and from any and all liens and claims of the Trustee and the Government* under and by virtue of any of all of the Security Instruments.

THIS RELEASE is made by the Trustee, made and consented to by the Government,* and accepted by the Corporation on the express condition that it shall not in any way affect or impair the liens and security of the Security Instruments, or any of them, upon other premises and properties now subject thereto and not expressly released hereby. This release is made and accepted without covenant or warranty, express or implied, at law or in equity, and without recourse to the Trustee or the Government,* in any event or in any contingency.

IN WITNESS WHEREOF, the Trustee has executed this instrument, and the Government* has (have) caused this instrument to be duly executed in its (their) own behalf and, as holder of all of the Notes, in token of its (their) consent to the execution thereof by the Trustee, all as of the day and year firs above written.

(Insert Name of Trustee)

by _____

(title) _____

(Seal)
Attest: _____
(title) _____

UNITED STATES OF AMERICA

by _____

(title) _____

For the Administrator of the
Rural Utilities Service

and

CFC or OTHER MORTGAGEE

by _____

(title) _____

(Add appropriate form(s) of acknowledgment. Begin with "DISTRICT OF COLUMBIA" SS, and provide, in the appropriate place in the form, at least two blank lines or space for title of party (parties) signing.)

EXHIBIT D

For Use Where Uniform Commercial Code Provision Applies

The following form of paragraph inserted just before the "In Witness Whereof" paragraph of the proper form of Partial Release, should be used where the Partial Release also covers personal property described in a filed financing statement. The Partial Release could then be used for required filing under the Uniform Commercial Code, as well as for recordation in real property records.

From the collateral described in the financing statement bearing File No. _____, filed in the office of _____, and the financing statement bearing File No. _____, filed in the office of _____, (1) the Government, the address of which is Rural Utilities Service, Washington, D.C. 20250, (2) as the Secured Parties in such financing statement release(s) the property described above. The Corporation is the Debtor, as shown in said financing statement, and its address is _____.

(1) The pertinent filing office (such as the applicable county recording office and the office of the Secretary of State) and the respective filing numbers should be shown.

(2) Where a deed of trust rather than a mortgage has been previously filed as a financing statement, the Trustee should be inserted as the Secured Party, and its address should appear in the place of the Government and other lenders and their addresses.

EXHIBIT E

INSTRUCTIONS FOR PREPARATION OF RUS FORM 369
Request for Approval to Sell Capital Assets

RUS Form 369 must be completed and submitted when RUS approval of the sale of property is required. Please refer to the provisions of your Restated Mortgage and Security Agreement, Article III, Section 3.11, Limitations on Transfers of Property, to determine whether RUS approval of the sale of property is required.

Submit an original and two copies of Form 369 to RUS with Items 1 through 14 completed, together with information regarding the details of the sale, the computation of the selling price, one copy of a certified board resolution authorizing the sale, the cut-off date established (in the case of sales by assumption of debt) and any other material necessary for a full disclosure of the proposed transaction and its effect upon the system.

SALES FOR CASH. After RUS approval is granted (Item 15), RUS will return the original and two copies of Form 369 will be returned to the Seller. The Seller is then to complete Item 16, and return the original and one copy to the appropriate RUS division at the following address: Rural Utilities Service, 1400 Independence Ave., SW., Washington, DC 20250. One copy of the form should be retained in the Seller's file. If the proceeds are being used to prepay a note, a wire transfer should be made under normal payment procedures and the note should be specified.

SALES BY ASSUMPTION OF INDEBTEDNESS. After RUS approval and supplemental lenders' approvals are granted (as evidenced by both parties completion of Item 15, the original and two copies of the Form 369 will be returned to the Seller with any supplemental instructions necessary. Seller is to complete Item 16 and return the original and one copy to RUS as per the instructions received from the regional office. One copy should be sent to the supplemental lenders, if applicable, and one copy retained in the Seller's file.

CONDEMNATIONS. Submit Form 369 promptly after learning that property will be condemned, providing all known details. A board resolution need not be submitted for condemnations. Instead a copy of the petition or complaint in the suit should be submitted as an attachment to this form. Items 10, 11, and 12 may be completed by referring to the petition or complaint. Item 14 need not be completed. Items on the form which cannot be completed may be omitted at that time and submitted later. Approvals will not be considered until negotiations have been completed. Final RUS processing and approval of Form 369 requires complete information.

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0572-0020. The time required to complete this information collection is estimated to average 3 hours per response, including the time for reviewing instruction, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

USDA-RUS REQUEST FOR APPROVAL TO SELL CAPITAL ASSETS		1. Date of this Request	2. Closing Date of Sale
INSTRUCTIONS – See reverse side of this form and RUS Bul. 1717M-1		3. Borrower Designation of Seller	4. Borrower Designation of Purchaser (if RUS Borrowers)
5. Name and Address of Seller		6. Name and Address of Purchaser	
7. Approximate Original Cost	8. Condition of Property (check one) <input type="checkbox"/> New <input type="checkbox"/> Scrap <input type="checkbox"/> Used Usable	9. Type of Sale (check one) <input type="checkbox"/> Cash <input type="checkbox"/> Installment <input type="checkbox"/> Transfer <input type="checkbox"/> Transfer	10. Selling Price
11. Describe in sufficient detail to identify adequately the property and estimate its present value. If real estate, include legal description. Attach forms for partial release of lien, if necessary.			
12. Reason for Sale (If additional space is needed, attach additional sheets.)			
13. Disposition of Net Proceeds of Sales (Insert amount in appropriate space.) A. To Cash (Check One) <input type="checkbox"/> General Fund Account \$ _____ <input type="checkbox"/> Construction Fund – Trustee Account..... \$ _____ B. To RUS as a Special Payment to be applied to Note(s) No. _____ Dated _____ \$ _____ C. To Supplemental Lender (if applicable) as a Special Payment to be Applied to Notes(s) No. _____ Dated _____ \$ _____ D. Seller's Notes to be Assumed [For sale of property by assumption of indebtedness only. Designated RUS and/or supplemental lender (if applicable) and appropriate note of each.]			
DESIGNATION	DATE OF NOTE	AMOUNT OF NOTE(S)	AMOUNT TO BE ASSUMED
E. Other (Include supplement lenders and amounts if applicable.)			

14. Certifications: (Complete a or b, as applicable):

a. CERTIFICATION (financial interest)

Attached to this document is the identification of employees and board members that have financial interests associated with the proposed asset sale. The identification includes the individual's title and specific interest in the transaction. Also attached are the appropriate supporting documents (e.g. an independent certified appraisal of the asset to establish fair market value, an independent feasibility study that assures that the sale is in the best interest of the organization and RUS).

I hereby certify that the selling price is not less than the fair market value of the property, the sale is in the best interest of the mortgagee(s) and this organization; the system after the sale will constitute a satisfactory operating unit and will not jeopardize the repayment of the RUS or other loans, if any; and that all necessary approvals have been or will be obtained where required by law or by the articles of incorporation by-laws of this organization.

SELLER'S CORPORATE NAME

SIGNATURE OF AUTHORIZED OFFICIAL

TITLE OF AUTHORIZED OFFICIAL

b. CERTIFICATION (no financial interest)

I hereby certify that no employee or board member of this organization has a personal financial interest in the sale of this capital asset, the selling price is not less than the fair market value of the property, the sale is in the best interest of the mortgagee(s) and this organization; the system after the sale will constitute a satisfactory operating unit and will not jeopardize the repayment of the RUS or other loans, if any; and that all necessary approvals have been or will be obtained where required by law or by the articles of incorporation by-laws of this organization.

SELLER'S CORPORATE NAME

SIGNATURE OF AUTHORIZED OFFICIAL

TITLE OF AUTHORIZED OFFICIAL

15. APPROVAL is hereby given to complete the sale and release possession to the above-named purchaser of the property described above for the sum of \$ _____, contingent upon disposition of the proceeds in the manner stipulated above.

SIGNATURE OF AUTHORIZED OFFICIAL

DATE

ADMINISTRATOR

DATE

16. NOTICE OF FINAL ACTION - When delivery of the property has been made the borrower should notify RUS by completing the certification below.

CERTIFICATION

I certify that possession of the property indicated above was released on _____ and \$

_____ has been accounted for as approved above.

SIGNATURE OF AUTHORIZED OFFICIAL

TITLE OF AUTHORIZED OFFICIAL