

MORA-SAN MIGUEL ELECTRIC COOPERATIVE, INC.
REIMBURSEMENT OF GENERAL FUNDS FROM LOAN FUNDS
BOARD POLICY NO. 404
Supersedes Policy # 17

SUBJECT: Reimbursement of General Funds from Loan Funds

OBJECTIVE: To establish a policy for the use of General Funds and Loan funds within the Cooperative

POLICY:

The General Funds of the Cooperative, may be used for extensions or additions to the Cooperative System, subject to the following conditions:

1. That such extensions or additions are within the scope of the Cooperative's powers and that applicable provisions, if any, of federal or state laws are complied with;
2. The Rural Utility Services ("RUS") has not taken any specific action in regard to the Cooperative indicating otherwise;
3. The Cooperative is not in default in the payment of its obligations to RUS;
4. That such use does not obligate future revenues of such extensions or additions, or result in a foreseeable default in the payment of any of our obligations;
5. The Manager is to prepare each month an itemized statement of General Funds used for construction of extensions or additions to the Cooperative's system, in order that said funds may be reimbursed to the General Fund from the Special Construction Funds.

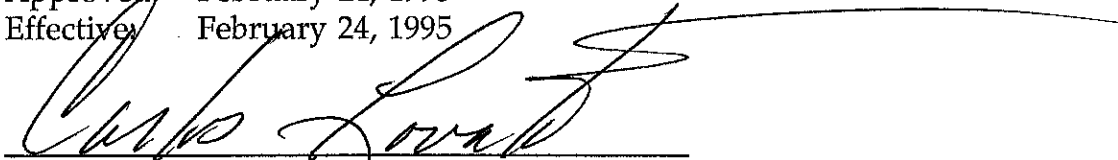
If the Cooperative shall desire to use General Funds for the purpose of constructing or acquiring any extension or addition to its system, or the purchase of a general plant item, consideration shall be given to subsequent reimbursement from RUS loans only if the purpose or purchase is approved by RUS.

The term "General Funds", as used herein, shall mean all funds of the Cooperative except RUS Loan Funds, Amortization Funds, funds receivable from the sale of property and not authorized by the RUS Administrator to be placed in the Cooperative's General Account.

The term "System" as used herein, shall mean all of the property of the Cooperative, of every kind, carried in the Cooperative's Plant Account.

The Board shall be responsible for the enforcement of this Policy.

Approved: February 24, 1995
Effective: February 24, 1995



Board Secretary