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February 6, 2009

Jay Holmquist, General Manager  
Nebraska Rural Electric Association  
800 South 13<sup>th</sup> Street  
P.O. Box 82048  
Lincoln, NE 68501

Re: Member Capital Securities

Dear Jay:

**QUESTION**

You have asked whether public power districts are authorized to invest in a security called Member Capital Securities offered by the National Rural Utilities Finance Corporation ("CFC").

**ANSWER**

The investment is authorized if it is issued by a bank or other financial lending institution, whether public or privately owned, established by rural electric cooperatives and public power districts to provide supplemental financing in addition to financing available from the Rural Electrification Administration.

**ANALYSIS**

*Neb. Rev. Stat. § 77-2353.01* provides that "[i]n addition to other authorized investments, public power districts are authorized to invest and reinvest in:

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(5) bonds, debentures, notes, or other instruments, whether public or privately owned, established by rural electric cooperatives and public power districts to provide supplemental financing in addition to financing available from the Rural Electrification Administration.”

From the description of Member Capital Securities that you furnished to me, it appears that this security falls within the category of “other instruments.” The description of Member Capital Securities states in part:

“This new instrument, called Member Capital Securities, is a 35-year security that currently pays a fixed dividend of 7.5 percent.

“An investment in Member Capital Securities will enable CFC to help meet the future financing needs of electric cooperative network, just as we have for the past 40 years. Together we can prepare for the next round of growth and demonstrate that the cooperative business model works, even in these turbulent times.”

Information obtained from CFC’s website indicates that CFC is an “other financial lending institution, privately owned, established by rural electric cooperatives to provide supplemental financing in addition to financing available from the Rural Electrification Administration.” The website states in part that:

“To finance its growing capital needs, the electric cooperative program began in the mid-1960 to seek alternative financing sources to supplement the lending programs of the Rural Electrification Administration (REA), which later became the Rural Utilities Service (RUS).”

“The National Rural Utilities Cooperative Finance Corporation (CFC) is the premier private-market lender to the nation’s electric cooperative—an independent source of financing that supplements the credit programs of the U.S. Department of Agriculture’s Rural Utilities Service (RUS).”

“Formed in 1969, the National Rural Utilities Cooperative Finance Corporation (CFC) is a privately owned, non-governmental organization that provides state-of-the art financial products to its members.”

The name of the Rural Electrification Administration has been changed to the Rural Utilities Service. The term electric cooperative is commonly known among the cooperative electric industry to include public power districts.

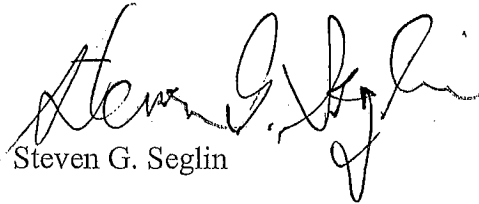
### CONCLUSION

It is our opinion that the security called Member Capital Securities offered by CFC is an authorized investment for public power districts. If you are interest in this program make sure to consult with your own attorney and exam the registration statement and prospectus filed with the U.S. Securities and Exchange Commission, especially with respect to the risk analysis and liquidity,. You will note that this is a 35 year security.

Very truly yours,

CROSBY GUENZEL LLP

By



Steven G. Seglin

SGS:tlh