



Allen Anderson, President & CEO

925-929 North Main Street
Post Office Box 910
Somerset, KY 42502-0910
Telephone 606-678-4121
Toll Free 800-264-5112
Fax 606-679-8279
www.skrecc.com

September 2, 2010

2010-00355

RECEIVED

SEP 07 2010

PUBLIC SERVICE
COMMISSION

Mr. Jeff Derouen:
Executive Director
Kentucky Public Service Commission
211 Sowder Blvd.
P.O. Box 615
Frankfort, KY 40602-0615

RE: Application of South Kentucky Rural Electric Cooperative Corporation for authorization to borrow \$10,074,440, from the National Rural Utilities Cooperative Finance Corporation ("CFC") and to execute necessary note and to prepay Rural Utilities Service ("RUS") 5% notes of the same amount.

Dear Mr. Derouen:

We enclose for filing the original and 10 copies of the application pertaining to the above. Please notify the undersigned of the case number when it has been assigned.

The offer from CFC to refinance the RUS notes expires September 30, 2010. Accordingly we request expedited handling of this application so that we may have Commission approval prior to that date.

Thank you for your assistance in this matter.

Sincerely,
South KY RECC

A handwritten signature in black ink, appearing to read 'Stephen Johnson', is written over a horizontal line.

Stephen Johnson
Vice President Finance

Sljw

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF SOUTH KENTUCKY RURAL)
ELECTRIC COOPERATIVE CORPORATION FOR)
AUTHORIZATION TO BORROW \$10,074,440)
FROM THE NATIONAL RURAL UTILITES)
COOPERATIVE FINANCE CORPORATION)
("CFC") AND EXECUTE NECESSARY NOTE)
AND TO PREPAY RURAL UTILITES SERVICE)
("RUS") 5% NOTES OF THE SAME AMOUNT)

RECEIVED

SEP 07 2010

PUBLIC SERVICE
COMMISSION

APPLICATION

South Kentucky Rural Electric Cooperative Corporation ("SKRECC") respectfully submits this application seeking expedited approval (in order to close by September 30th, 2010) of long term refinancing, pursuant to KRS 278.300. The petition respectfully shows:

1. South Kentucky Rural Electric Cooperative Corporation with a post office address of P.O. Box 910, Somerset, Kentucky 42502 designated as Kentucky 54 - Wayne states that it is a corporation with all rights, characteristics, powers, privileges and duties shown by the records now on file in the office of the Public Service Commission of Kentucky, and that it is engaged in the rural electrification business in the counties of Pulaski, Wayne, McCreary, Cumberland, Lincoln, Rockcastle, Casey, Russell, Laurel, Clinton and Adair, all in Kentucky and Pickett and Scott Counties in the State of Tennessee, by and under the Rural Electrification Act and under authority contained in Kentucky Revised Statutes, Chapter 279.

2. South Kentucky's' post office address is P.O. Box 910, Somerset, KY 42502

3. The Articles of Incorporation and all amendments thereto for South Kentucky are filed in Case No. 96-109.

4. As of June 30, 2010, South Kentucky served 67,154 active services for member-customers. It has 6,721.78 miles of distribution lines in its eleven county service territory, and owns additional facilities necessary to support this distribution system. The total original cost of these distribution lines and additional facilities as of June 30, 2010 is \$201,000,000.00

5. The financial exhibit, as required by 807 KAR 5:001, section 11(2) (a) is attached as Exhibit 1 of this application.

6. South Kentucky is not seeking authorization to issue any kinds of stock as part of this application.

7. South Kentucky seeks to borrow from CFC a total of \$10,074,440 and execute a note in conjunction with this borrowing from CFC. The CFC loan will be for 1, 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13 & 14 year periods and will approximately equal the maturity of the debt being refinanced. The note will require a different fixed interest rate for each year for years one through eight. The rates will range from a one year rate of 2.1% to a fourteen year rate of 4.55%. CFC estimates the effective rate, after payment of patronage capital to South Kentucky to be 3.67%. A copy of the potential refinance letter from CFC is attached in Exhibit 2 of this application. The CFC loan is secured under the provisions of the Supplemental Mortgage, dated as of November 3, 2008 made by and among the Borrower, the United States of America and CFC.

8. South Kentucky expects the actual payoff to be very close to the \$10,074,440.00. It's possible that the payoff will actually be lower depending on the time required to secure Commission approval and any payments made in the meantime.

9. South Kentucky will have the ability to convert the interest rate from fixed to variable or variable to fixed during the term of the loan provided that South Kentucky promptly pays the invoiced amount for any applicable conversion fee calculated pursuant to CFC's long term loan policies as established from time to time for similarly classified long-term loans.

10. South Kentucky will use the proceeds from the CFC loan to prepay notes of the same amount outstanding to RUS. The notes being prepaid as listed in the CFC proposal in Exhibit 2.

11. RUS has given notice to cooperatives that this type of refinancing is allowed under the latest Supplemental Mortgage.

12. The mortgages of South Kentucky are listed in Exhibit 2, Attachment C, of this application.

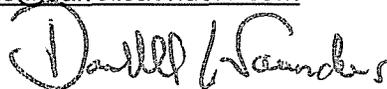
13. As no property is being acquired in conjunction with this financing, 807 KAR 5:001, Section 11(2) (c) is not applicable.

14. Additional information in support of this application is included in attached Exhibit 2.

WHEREFORE, South Kentucky asks that the Commission issue an Order authorizing South Kentucky to execute and issue evidences of indebtedness as security for the CFC loan described herein, and for any other relief to which it may be entitled.

DATED at Somerset, Kentucky this 1st day of September, 2010.

Darrell Saunders
Attorney for Applicant
700 Master Street
P.O. Box 1324
Corbin, KY 40702
Phone: (606)523-1370
Fax: (606)523-1372
E-Mail: dls@darrellsaunders.com



Darrell L. Saunders, Attorney for South
Kentucky Rural Electric Cooperative Corporation

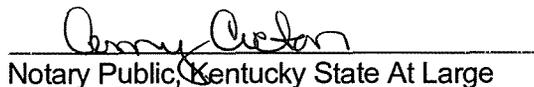
VERIFICATION

The undersigned, Allen Anderson, being first duly sworn states that he is the President and CEO of South Kentucky Rural Electric Cooperative Corporation; and that he has personal knowledge of the matters set forth in the foregoing application; and that the statements contained therein are true and correct to the best of his knowledge, information, and belief.



Allen Anderson, President & CEO
South Kentucky Rural Electric Cooperative Corporation

Subscribed and sworn to before me by Allen Anderson, President and C.E.O. of South Kentucky Rural Electric Cooperative Corporation this 2nd day of September 2010.



Notary Public, Kentucky State At Large

My Commission Expires: 6/23/2014

SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION
CASE NO. _____
INDEX OF EXHIBITS TO APPLICATION

FINANCIAL EXHIBIT – 807 KAR 5:001, SECTION 6

- Exhibit 1 – Attachment A.....Notes Executed
- Exhibit 1 – Attachment B.....Statement of Operations
- Exhibit 1 – Attachment C.....Financial & Statistical Report

SUPPLEMENTAL INFORMATION

- Exhibit 2 – Attachment A.....Board Resolution
- Exhibit 2 – Attachment B.....CFC Proposal
- Exhibit 2 – Attachment C.....Supplemental Mortgage

APPLICATION OF SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE COPORATION
EXHIBIT 1
FINANCIAL EXHIBIT – 807 KAR 5:001, SECTION 6

Unless otherwise noted, the financial information contained in this Exhibit is for the twelve months ending or as of June 30, 2010, which is within the 90 day requirement of 807 KAR 5:001, Section 6.

- Section 6(1) South Kentucky has no stock authorized.
- Section 6(2) South Kentucky has no stock issued or outstanding.
- Section 6(3) South Kentucky has no preferred stock issued.
- Section 6(4) All of South Kentucky's loans with the RUS, Federal Financing Bank ("FFB"), and CFC are secured by the Supplemental Mortgage which was executed on November 3, 2008. South Kentucky is the mortgagor, while the RUS, FFB and CFC are the mortgagees. The total debt limit is \$200,000,000.00. The current actual indebtedness is shown as Attachment A, page 1 of Exhibit 1. There are no sinking fund provisions contained in the Supplemental Mortgage.
- Section 6(5) South Kentucky has no bonds authorized or issued.
- Section 6(6) Attachment A to this Exhibit contains the listing of South Kentucky's total notes outstanding.
- Section 6(7) South Kentucky has no other indebtedness.
- Section 6(8) As South Kentucky has no stock authorized, issued, or outstanding, no dividends have been paid during the five previous fiscal years.
- Section 6(9) Attachments B and C to this Exhibit contains South Kentucky's detailed income statement and balance sheet.

South Kentucky Rural Electric
 Schedule of Outstanding Long-Term Debt
 June 30, 2010

Exhibit 1
 Attachment A
 Page 1 of 1

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28
29
30
31
32
33
34
35
36
37
38
39
40
41
42
43
44
45
46
47
48
49
50
51
52
53
54
55
56
57
58
59
60
61
62
63
64

Type of Debt Issued	Date of Issue	Date of Maturity	Principal Balance	Rate of Interest	Interest for 12 Months Ended 6/30/10
RUS loans					
1B230	Mar-75	Mar-10	0	5.00%	1,331
1B240	Feb-77	Feb-12	102,509	5.00%	6,727
1B250	Sep-77	Sep-12	382,401	5.00%	23,044
1B260	Apr-79	Mar-14	794,121	5.00%	44,382
1B270	Apr-82	Apr-17	683,669	5.00%	36,275
1B280	Apr-84	Apr-19	1,286,427	5.00%	67,237
1B290	Jul-86	Jun-21	1,626,463	5.00%	84,065
1B300	Nov-89	Oct-24	2,780,450	5.00%	142,309
1B310	Dec-91	Nov-26	2,456,491	5.00%	125,212
1B320	Aug-93	Aug-28	3,774,969	5.00%	191,913
1B330	Aug-97	Jul-32	3,130,624	4.84%	79,780
1B335	Aug-97	Jul-32	3,111,997	5.00%	109,149
1B340	Mar-01	Feb-36	5,441,431	5.78%	317,139
1B341	Mar-01	Feb-36	4,425,680	5.41%	241,541
1B342	Mar-01	Feb-36	4,346,962	5.20%	228,094
1B343	Mar-01	Feb-36	1,785,764	4.99%	89,959
1B344	Mar-01	Feb-36	2,076,398	5.47%	114,564
1B350	Mar-01	Feb-36	6,252,498	5.31%	334,725
1B351	Mar-01	Feb-36	5,524,399	5.44%	302,953
1B352	Jan-04	Jan-39	2,744,916	5.02%	138,984
1B353	Oct-04	Sep-39	7,682,979	5.04%	390,558
1A360	Sep-05	Sep-40	5,763,783	4.63%	268,868
1A361	Apr-06	Apr-41	3,854,667	5.05%	196,010
1A362	Aug-06	Aug-41	5,782,001	5.05%	294,015
1A363	Dec-06	Nov-41	5,762,801	4.60%	267,089
1A364	Oct-07	Sep-42	4,460,326	4.79%	215,208
F0010	Sep-07	Sep-42	5,330,175	3.46%	185,364
F0015	Nov-08	Oct-43	3,267,706	3.65%	119,992
F0020	Nov-08	Oct-43	17,000,000	3.70%	628,830
	Economic development		5,981,756		
	Advance payment		(401,285)		
			<u>117,213,080</u>		<u>5,245,319</u>
CFC loans					
9001	Jun-72	Jun-07	0	7.00%	0
9003	Mar-74	Feb-09	0	7.00%	0
9006	May-75	May-10	0	5.50%	808
9009	Feb-77	Feb-12	56,433	6.00%	4,433
9011	Oct-77	Sep-12	203,891	4.50%	12,515
9013	Apr-79	Apr-14	430,249	5.95%	28,561
9017	May-82	Apr-17	373,622	6.15%	24,312
9018	Apr-84	Apr-19	683,970	6.10%	43,477
9019	Jul-86	Jul-21	777,563	6.20%	49,696
9020	Nov-89	Nov-24	1,305,717	6.25%	83,335
9021	Dec-91	Dec-26	1,093,549	6.25%	69,500
9022	Sep-93	Aug-28	1,699,156	6.65%	114,577
9023	Aug-97	Aug-32	<u>3,037,463</u>	6.70%	<u>200,961</u>
			<u>9,661,612</u>		<u>632,176</u>
City of Monticello			<u>4,106,667</u>	4.75%	198,550
Total			<u>130,981,359</u>		<u>6,076,045</u>

Public reporting burden for this collection of information is estimated to average 17 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Department of Agriculture, Clearance Officer, OIRM, AC Box 7630, Washington, DC 20250; and to the Office of Management and Budget, Paperwork Project (OMB #0572-0032), Washington, DC 20503. OMB FORM NO. 0572-0032. Expires 03/31/95.

This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C. 901 et seq.) and is not confidential.

USDA-RUS FINANCIAL AND STATISTICAL REPORT	BORROWER DESIGNATION Kentucky 54 Wayne BORROWER NAME AND ADDRESS South Kentucky R.E.C.C. 925-929 North Main Street Somerset, Kentucky 42501
INSTRUCTIONS - Submit an original and two copies to RUS. Round all amounts to nearest dollar. For detailed instructions, see Bulletin 1717B-2.	PERIOD ENDED 12 Months Ending June 30, 2010
CERTIFICATION <i>We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.</i>	
ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES.	
_____ SIGNATURE OF OFFICE MANAGER OR ACCOUNTANT	_____ DATE
_____ SIGNATURE OF MANAGER	_____ DATE

PART A. STATEMENT OF OPERATIONS				
ITEM	YEAR-TO-DATE			THIS MONTH
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	(d)
1. Operating Revenue and Patronage Capital.....	118,931,346.89	116,173,484.04	116,408,064.02	8,540,351.70
2. Power Production Expense.....				
3. Cost of Purchased Power.....	88,910,746.95	85,538,371.77	87,254,898.00	6,190,445.00
4. Transmission Expense.....				
5. Distribution Expense - Operation.....	3,340,156.95	3,629,484.49	3,152,042.08	386,689.56
6. Distribution Expense - Maintenance.....	5,740,025.90	6,326,232.25	6,844,164.11	598,087.02
7. Consumer Accounts Expense.....	4,062,810.07	4,080,607.65	3,967,122.97	319,889.28
8. Customer Service and Informational Expense.....	760,916.73	741,500.35	855,992.01	55,578.20
9. Other Expense.....	21,460.69	22,434.62	21,524.88	2,020.86
10. Administrative and General Expense.....	3,356,245.79	3,987,537.95	3,726,447.16	371,781.40
11. Total Operation & Maintenance Expense (2 thru 10).....	106,192,363.08	104,326,169.08	105,822,191.21	7,924,491.32
12. Depreciation and Amortization Expense.....	5,284,511.42	5,574,376.82	5,922,498.00	472,473.25
13. Tax Expense - Property & Gross Receipts.....	112,526.55	111,747.60	177,000.04	111,747.60
14. Tax Expense - Other.....				
15. Interest on Long - Term Debt.....	5,615,291.53	6,076,045.08	5,931,370.04	500,730.75
16. Interest Charged to Construction - Credit.....				
17. Interest Expense - Other.....	332,577.68	67,295.31	210,002.02	1,456.69
18. Other Deductions.....	84,180.50	72,160.14	95,075.44	15,010.19
19. Total Cost of Electric Service (11 thru 18).....	117,621,450.76	116,227,794.03	118,158,136.75	9,025,909.80
20. Patronage Capital & Operating Margins (1 minus 19).....	1,309,896.13	(54,309.99)	(1,750,072.73)	(485,558.10)
21. Non-Operating Margins - Interest.....	90,340.72	106,786.74	190,002.00	9,182.76
22. Allowance for Funds Used During Construction.....				
23. Income (Loss) from Equity Investments.....	3,975.59	(99.82)		
24. Non Operating Margins - Other.....	(111,741.51)	79,408.81	(3,735.25)	3,361.01
25. Generation and Transmission Capital Credits.....		4,918,417.12		
26. Other Capital Credits and Patronage Dividends.....	240,375.40	222,437.25	127,258.50	
27. Extraordinary Items.....				
28. Patronage Capital or Margins (20 thru 27).....	1,532,846.33	5,272,640.11	(1,436,547.48)	(473,014.33)

PART B. DATA ON TRANSMISSION AND DISTRIBUTION PLANT					
ITEM	YEAR-TO-DATE		ITEM	YEAR-TO-DATE	
	LAST YEAR (a)	THIS YEAR (b)		LAST YEAR (a)	THIS YEAR (b)
1. New Services Connected	1,401	1,399	5. Miles Transmission		
2. Services Retired	668	811	6 Miles Distribution - Overhead	6,205.47	6,258.65
3. Total Services in Place	73,478	77,962	7 Miles Distribution - Underground	380.11	417.30
4. Idle Services (Exclude Seasonal)	10,957	11,647	8 Total Miles Energid (5 + 6 + 7)	6,585.58	6,675.95

Public reporting burden for this collection of information is estimated to average 17 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden, to Department of Agriculture, Clearance Officer, OIRM, AC Box 7630, Washington, DC 20250, and to the Office of Management and Budget, Paperwork Project (OMB #0572-0032), Washington, DC 20503, OMB FORM NO. 0572-0032, Expires 03/31/95.

This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C. 901 et seq.) and is not confidential.

USDA - RUS FINANCIAL AND STATISTICAL REPORT	BORROWER DESIGNATION Kentucky 54 Wayne BORROWER NAME AND ADDRESS South Kentucky R.E.C.C. 925-929 North Main Street Somerset, Kentucky 42501
INSTRUCTIONS - Submit an original and two copies to RUS. Round all amounts to nearest dollar. For detailed instructions, see Bulletin 1717B-2.	PERIOD ENDED 30-Jun-10 RUS USE ONLY

CERTIFICATION

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES.

 SIGNATURE OF OFFICE MANAGER OR ACCOUNTANT	07/27/10 DATE
 SIGNATURE OF MANAGER	7/27/2010 DATE

PART A. STATEMENT OF OPERATIONS				
ITEM	YEAR-TO-DATE			THIS MONTH
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	(d)
1. Operating Revenue and Patronage Capital.....	60,173,288.51	63,977,925.35	59,541,505.00	8,540,351.70
2. Power Production Expense.....				
3. Cost of Purchased Power.....	44,435,479.00	46,753,639.00	43,546,769.00	6,190,445.00
4. Transmission Expense.....				
5. Distribution Expense - Operation.....	1,552,565.94	1,889,750.05	1,578,764.08	386,689.56
6. Distribution Expense - Maintenance.....	3,012,373.99	3,156,454.60	3,719,202.32	598,087.02
7. Cost of Accounts Expense.....	2,013,370.00	2,175,747.42	1,966,057.20	319,889.28
8. Cost of Service and Informational Expense.....	368,201.99	381,049.13	470,775.86	55,578.20
9. Sales Expense.....	10,429.49	11,394.48	11,409.84	2,020.86
10. Administrative and General Expense.....	1,591,430.53	1,830,089.72	1,854,237.44	371,781.40
11. Total Operation & Maintenance Expense (2 thru 10).....	52,983,850.94	56,198,124.40	53,147,215.74	7,924,491.32
12. Depreciation and Amortization Expense.....	2,677,468.88	2,813,437.73	2,995,998.00	472,473.25
13. Tax Expense - Property & Gross Receipts.....	112,526.55	111,747.60	122,000.00	111,747.60
14. Tax Expense - Other.....				
15. Interest on Long - Term Debt.....	2,866,731.30	2,997,390.06	3,008,370.00	500,730.75
16. Interest Charged to Construction - Credit.....				
17. Interest Expense - Other.....	87,943.75	8,251.19	85,002.00	1,456.69
18. Other Deductions.....	56,051.48	53,064.60	34,560.00	15,010.19
19. Total Cost of Electric Service (11 thru 18).....	58,784,572.90	62,182,015.58	59,393,145.74	9,025,909.80
20. Patronage Capital & Operating Margins (1 minus 19).....	1,388,715.61	1,795,909.77	148,359.26	(485,558.10)
21. Non-Operating Margins - Interest.....	47,478.10	49,001.88	145,002.00	9,182.76
22. Allowance for Funds Used During Construction.....				
23. Income (Loss) from Equity Investments.....				
24. Non Operating Margins - Other.....	(25,803.67)	81,801.91		3,361.01
25. Generation and Transmission Capital Credits.....		4,918,417.12		
26. Other Capital Credits and Patronage Dividends.....	46,002.08	65,889.71		
27. Extraordinary Items.....				
28. Patronage Capital or Margins (20 thru 27).....	1,456,392.12	6,911,020.39	293,361.26	(473,014.33)

PART B. DATA ON TRANSMISSION AND DISTRIBUTION PLANT					
ITEM	YEAR-TO-DATE		ITEM	YEAR-TO-DATE	
	LAST YEAR (a)	THIS YEAR (b)		LAST YEAR (a)	THIS YEAR (b)
1. New Services Connected	438	477	5. Miles Transmission		
2. Services Retired	274	371	6. Miles Distribution - Overhead	6,272.22	6,279.70
3. Total Services in Place	78,258	78,667	7. Miles Distribution - Underground	426.65	442.08
4. Total Miles in Place (Seasonal)	11,754	11,513	8. Total Miles Energized (5 + 6 + 7)	6,698.87	6,721.78

USDA-RUS FINANCIAL AND STATISTICAL REPORT	BORROWER DESIGNATION Kentucky 54 Wayne	
	PERIOD ENDED 30-Jun-10	RUS USE ONLY
INSTRUCTIONS - See RUS Bulletin 1717B-2		
PART C. BALANCE SHEET		
ASSETS AND OTHER DEBITS	LIABILITIES AND OTHER CREDITS	
1. Total Utility Plant in Service..... 196,424,568.66 2. Construction Work in Progress..... 4,194,606.09 3. Total Utility Plant (1 + 2)..... 200,619,174.75 4. Accum. Provision for Depreciation and Amort..... 41,725,616.73 5. Net Utility Plant (3 - 4)..... 158,893,558.02 6. Nonutility Property - Net..... 89,616.81 7. Investments in Subsidiary Companies..... 74,291.49 8. Invest. In Assoc. Org. - Patronage Capital..... 24,564,118.67 9. Invest. In Assoc. Org. - Other - General Funds..... 1,712,379.29 10. Invest. In Assoc. Org. - Other - Nongeneral Funds..... 11. Investments in Economic Development Projects..... 6,012,991.54 12. Other Investments..... 13. Special Funds..... 14. Total Other Property and Investments (6 thru 13)..... 32,453,397.80 15. Cash - General Funds..... 3,836,049.05 16. Cash - Construction Funds - Trustee..... 17. Special Deposits..... 18. Temporary Investments..... 6,014,763.14 19. Notes Receivable - (Net)..... 20. Accounts Receivable - Sales of Energy..... 3,534,002.01 21. Accounts Receivable - Other (Net)..... 263,656.92 22. Materials and Supplies - Electric and Other..... 2,554,374.12 23. Prepayments..... 485,264.33 24. Other Current and Accrued Assets..... 929,657.54 25. Total Current and Accrued Assets (15 thru 24)..... 17,617,767.11 26. Regulatory Assets..... 27. Other Deferred Debits..... 22,234.82 28. Total and Other Debits (5 + 14 + 25 thru 28)..... 208,986,957.75	29. Memberships..... 1,285,791.00 30. Patronage Capital..... 51,038,613.73 31. Operating Margins - Prior Years..... (258,954.53) 32. Operating Margins - Current Year..... 6,780,216.60 33. Non Operating Margins..... 207,770.16 34. Other Margins and Equities..... 654,247.49 35. Total Margins & Equities (30 thru 35)..... 59,707,684.45 36. Long - Term Debt - RUS (Net)..... 108,106,343.72 (Payments - Unapplied \$ 401,285.26) 37. Long - Term Debt - FFB - RUS Guaranteed..... 38. Long - Term Debt - Other - RUS Guaranteed..... 39. Long - Term Debt - Other (Net)..... 12,948,210.42 40. Long - Term - Other - RUS - ECON Devel. (Net)..... 5,396,382.63 41. Payments - Unapplied..... 42. Total Long - Term Debt (36 thru 40)..... 126,450,936.77 43. Obligations Under Capital Leases..... 44. Accumulated Operating Provisions..... 4,230,070.67 45. Total Other Noncurrent Liabilities (43 + 44)..... 4,230,070.67 46. Notes Payable..... 47. Accounts Payable..... 9,585,510.23 48. Consumers Deposits..... 959,383.74 49. Curr Maturities Long-Term Debt..... 3,945,048.19 50. Curr Maturit LT Debt ECON Dev..... 585,373.68 51. Curr Maturities Capital Leases..... 52. Other Current and Accrued Liabilities..... 2,816,048.04 53. Total Current & Accrued Liabilities (46 thru 52)..... 17,891,363.88 54. Regulatory Liabilities..... 55. Other Deferred Credits..... 706,901.98 56. Total Liabilities and Other Credits (36 + 42 + 45 thru 52)..... 208,986,957.75	
ESTIMATED CONTRIBUTIONS IN AID OF CONSTRUCTION		
Balance Beginning of Year..... Amounts Received This Year (Net)..... Total Contributions in Aid of Construction.....		
PART D. NOTES TO FINANCIAL STATEMENTS		
THE SPACE BELOW IS PROVIDED FOR IMPORTANT NOTES REGARDING THE FINANCIAL STATEMENT CONTAINED IN THIS REPORT. (IF ADDITIONAL SPACE IS NEEDED, USE SEPARATE SHEET)		

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the Cooperative
this 12 day of August, 2010.


Secretary

(SEAL)



**National Rural Utilities
Cooperative Finance Corporation**

2201 Cooperative Way
Herndon, Virginia 20171
703-709-6700 | www.nrucfc.coop

A Touchstone Energy Cooperative 

September 1, 2010

Mr. Allen Andersen
Head Coach and CEO
South Kentucky Rural Electric Cooperative Corporation
P.O. Box 910
Somerset, KY 42502-0910

Re: Potential Refinance of South Kentucky Rural Electric Cooperative Corporation's
("SKRECC") RUS 5% Notes

Dear Mr. Andersen:

As a follow up to the discussions I've had with Stephen Johnson, I took a look at SKRECC's quarterly RUS debt service invoice (Form 613) to see which RUS long-term loans currently at a fixed interest rate of 5% could potentially be refinanced with CFC. This works best with RUS notes that have remaining terms of 16-17 years or less, as CFC has the ability to utilize a rate structure for the potential refinance that is lower than CFC's standard rate structure. SKRECC has sixteen RUS notes that fit the criteria: 1B240-1B312 in an aggregate amount of \$10,074,440.

After my review, I came up with the attached option for consideration:

- Refinance the sixteen notes at CFC with debt service payments that pretty much match what SKRECC' would pay in debt service payments to RUS over the next fourteen years. I used rate terms from 1-14 years (rates range from a 1-year rate of 2.10% to an 14-year rate of 4.55%), and all notes would be fixed to their respective maturities, so there is no interest rate risk.

Under this scenario, projected interest savings are \$955,966 and CFC patronage capital is projected to be \$213,977, for an all-in cash flow reduction (vs. RUS) of \$1,169,943. The effective rate on this option is 3.67% (after pat cap). Please note, the scenario is based on CFC's RUS refinance rates as of September 1, 2010 and but will only remain in effect until September 30, 2010.

Please take a look at the scenario and let me know if you have any questions or need any additional detail.

Sincerely,

A handwritten signature in cursive script that reads "Elaine M. MacDonald".

Elaine M. MacDonald
Associate Vice President

Attachment

cc: Stephen Johnson, SKRECC

CFC FACIL
KY054-A-9027 (MACDONE)
149658-1



**Powerful
Financial
Solutions**

CFC's credit services provide its members with the financial tools they need to compete in an increasingly complex industry.

Prepared exclusively for: South Kentucky R.E.C.C.

Scenario: RUS 5% Refi - Matched RUS Debt Svc Pmts

Overall Summary

Effective Interest Rate (after discounts, patronage capital):	3.67%
Effective Interest Rate (before discounts, patronage capital):	3.92%
Value of savings from discounts, patronage capital:	(0.25%)

Debt Summary

Current total LT debt outstanding:	\$ 9,661,612
New proposed loan amount:	\$ 10,074,440
Potential total LT debt outstanding:	\$ 19,736,053

Equity Summary

Current total equity at CFC:	\$ 2,099,906
Potential CFC debt to equity ratio:	9.40
Additional equity required as LCTCs:	\$ -
Portion of new loan used to purchase LCTCs:	\$ -

This information is confidential and is not to be disclosed to third parties without prior CFC consent. This presentation reflects CFC's programs and policies in effect at the time this presentation was created and will remain valid through **9/30/2010**. The interest rates used in this presentation were CFC's interest rates in effect on **9/1/2010** and are effective for that date only. No future representation of interest rates is implied.



South Kentucky R.E.C.C.
Summary Comparison of Cash Flows
Portfolio: RUS 5% Refi - Matched RUS Debt Svc Pmts

	Principal Payments	Interest Payments	Total Discounts	Patronage Retirement	LCTC Payments	LCTC Return	Total Cash Flow
RUS	(\$10,074,440)	(\$3,234,256)	\$0	\$0	\$0	\$0	(\$13,308,696)
CFC	(\$10,074,440)	(\$2,278,290)	\$0	\$213,977	\$0	\$0	(\$12,138,753)
RUS-CFC	\$0	(\$955,966)	\$0	(\$213,977)	\$0	\$0	(\$1,169,943)



South Kentucky R.E.C.C.

Detailed Comparison of Cash Flows

Portfolio: RUS 5% Refi - Matched RUS Debt Svc Pmts

Year	RUS events	CFC events					Comparison
	RUS Payments	CFC Payments	CFC Patronage	LCTC's Payments	LCTC's Return	CFC Net Cash Flows	RUS - CFC Net Cash Flows
2/28/2011	(\$963,292)	(\$935,538)	\$11,958	-	-	(\$923,580)	(\$39,712)
2/28/2012	(\$1,460,853)	(\$1,460,011)	\$14,653	-	-	(\$1,445,358)	(\$15,494)
2/28/2013	(\$1,316,188)	(\$1,281,374)	\$13,481	-	-	(\$1,267,893)	(\$48,295)
2/28/2014	(\$1,226,216)	(\$1,206,077)	\$12,193	-	-	(\$1,193,884)	(\$32,332)
2/28/2015	(\$997,572)	(\$987,689)	\$10,957	-	-	(\$976,732)	(\$20,840)
2/28/2016	(\$993,604)	(\$957,635)	\$9,799	-	-	(\$947,836)	(\$45,769)
2/28/2017	(\$989,640)	(\$965,459)	\$8,471	-	-	(\$956,988)	(\$32,651)
2/28/2018	(\$873,140)	(\$854,988)	\$7,127	-	-	(\$847,861)	(\$25,280)
2/28/2019	(\$863,415)	(\$830,140)	\$5,826	-	-	(\$824,315)	(\$39,100)
2/28/2020	(\$689,005)	(\$672,706)	\$4,570	-	-	(\$668,136)	(\$20,869)
2/28/2021	(\$689,005)	(\$650,949)	\$3,469	-	-	(\$647,479)	(\$41,526)
2/28/2022	(\$538,711)	(\$521,596)	\$2,389	-	-	(\$519,207)	(\$19,505)
2/28/2023	(\$495,017)	(\$461,788)	\$1,505	-	-	(\$460,283)	(\$34,734)
2/28/2024	(\$495,017)	(\$453,674)	\$591	-	-	(\$453,083)	(\$41,934)
2/28/2025	(\$363,070)	(\$113,107)	-	-	-	(\$113,107)	(\$249,963)
2/28/2026	(\$220,925)	-	-	-	-	-	(\$220,925)
2/28/2027	(\$134,026)	-	-	-	-	-	(\$134,026)
2/28/2028	-	-	-	-	-	-	-
2/28/2029	-	-	-	-	-	-	-
2/28/2030	-	-	-	-	-	-	-
2/28/2031	-	-	-	-	-	-	-
2/28/2032	-	-	-	-	-	-	-
2/28/2033	-	-	-	-	-	-	-
2/28/2034	-	-	-	-	-	-	-
2/28/2035	-	-	-	-	-	-	-
2/28/2036	-	-	\$11,958	-	-	\$11,958	(\$11,958)
2/28/2037	-	-	\$14,653	-	-	\$14,653	(\$14,653)
2/28/2038	-	-	\$13,481	-	-	\$13,481	(\$13,481)
2/28/2039	-	-	\$12,193	-	-	\$12,193	(\$12,193)
2/28/2040	-	-	\$10,957	-	-	\$10,957	(\$10,957)
2/28/2041	-	-	\$9,799	-	-	\$9,799	(\$9,799)
2/28/2042	-	-	\$8,471	-	-	\$8,471	(\$8,471)
2/28/2043	-	-	\$7,127	-	-	\$7,127	(\$7,127)
2/28/2044	-	-	\$5,826	-	-	\$5,826	(\$5,826)



South Kentucky R.E.C.C.

Detailed Comparison of Cash Flows

Portfolio: RUS 5% Refi - Matched RUS Debt Svc Pmts

Year	RUS events		CFC events				Comparison	
	RUS Payments	CFC Payments	CFC Patronage	LCTC's Payments	LCTC's Return	CFC Net Cash Flows	RUS - CFC Net Cash Flows	
2/28/2045	-	-	\$4,570	-	-	\$4,570	(\$4,570)	
2/28/2046	-	-	\$3,469	-	-	\$3,469	(\$3,469)	
2/28/2047	-	-	\$2,389	-	-	\$2,389	(\$2,389)	
2/28/2048	-	-	\$1,505	-	-	\$1,505	(\$1,505)	
2/28/2049	-	-	\$591	-	-	\$591	(\$591)	
2/28/2050	-	-	-	-	-	-	-	
2/28/2051	-	-	-	-	-	-	-	
2/28/2052	-	-	-	-	-	-	-	
2/28/2053	-	-	-	-	-	-	-	
2/28/2054	-	-	-	-	-	-	-	
2/28/2055	-	-	-	-	-	-	-	
2/28/2056	-	-	-	-	-	-	-	
2/28/2057	-	-	-	-	-	-	-	
2/28/2058	-	-	-	-	-	-	-	
2/28/2059	-	-	-	-	-	-	-	
2/28/2060	-	-	-	-	-	-	-	

Sum of Cash Flows

Year 5	(\$5,964,120)	(\$5,870,689)	\$63,242	\$0	\$0	(\$5,807,447)	(\$156,673)
Year 10	(\$10,372,925)	(\$10,151,617)	\$99,034	\$0	\$0	(\$10,052,582)	(\$320,343)
Year 15	(\$12,953,746)	(\$12,352,730)	\$106,989	\$0	\$0	(\$12,245,742)	(\$708,004)
Year 20	(\$13,308,696)	(\$12,352,730)	\$106,989	\$0	\$0	(\$12,245,742)	(\$1,062,954)
Year 30	(\$13,308,696)	(\$12,352,730)	\$170,231	\$0	\$0	(\$12,182,500)	(\$1,126,196)
All years	(\$13,308,696)	(\$12,352,730)	\$213,977	\$0	\$0	(\$12,138,753)	(\$1,169,943)



South Kentucky R.E.C.C.
RUS LOANS - in detail

Count	Loan Number	Payments Per Year	Interest Rate	Amort Type	Loan Balance	Loan Payment	Maturity Date	Years to Maturity	Treasury Rate	Payoff Amount	Amount of Discount	Percentage Discount
1	1b240	4	5.00%	LD	\$ 51,256.48	\$ 8,901.90	2/29/2012	1.30	0.00%	\$ 51,256.48	\$ 0.00	0.000%
2	1B242	4	5.00%	LD	\$ 51,256.48	\$ 8,901.90	2/29/2012	1.30	0.00%	\$ 51,256.48	\$ 0.00	0.000%
3	1B250	4	5.00%	LD	\$ 191,205.46	\$ 22,623.70	8/31/2012	2.00	0.00%	\$ 191,205.46	\$ 0.00	0.000%
4	1B252	4	5.00%	LD	\$ 191,206.77	\$ 22,623.70	8/31/2012	2.00	0.00%	\$ 191,206.77	\$ (0.00)	0.000%
5	1B260	4	5.00%	LD	\$ 397,069.22	\$ 29,076.40	5/31/2014	3.50	0.00%	\$ 397,069.22	\$ 0.00	0.000%
6	1B262	4	5.00%	LD	\$ 397,064.78	\$ 29,076.40	5/31/2014	3.50	0.00%	\$ 397,064.78	\$ (0.00)	0.000%
7	1B270	4	5.00%	LD	\$ 341,837.43	\$ 15,058.04	2/28/2017	6.50	0.00%	\$ 341,837.43	\$ 0.00	0.000%
8	1B272	4	5.00%	LD	\$ 341,837.79	\$ 15,058.04	2/28/2017	6.50	0.00%	\$ 341,837.79	\$ (0.00)	0.000%
9	1B280	12	5.00%	LD	\$ 638,276.35	\$ 7,672.28	2/28/2019	8.40	0.00%	\$ 638,276.35	\$ 0.00	0.000%
10	1B282	12	5.00%	LD	\$ 638,276.35	\$ 7,672.28	2/28/2019	8.40	0.00%	\$ 638,276.35	\$ 0.00	0.000%
11	1B290	12	5.00%	LD	\$ 796,854.18	\$ 7,982.48	5/31/2021	10.70	0.00%	\$ 796,854.18	\$ 0.00	0.000%
12	1B293	12	5.00%	LD	\$ 820,356.82	\$ 8,183.20	6/30/2021	10.80	0.00%	\$ 820,356.82	\$ (0.00)	0.000%
13	1B300	12	5.00%	LD	\$ 1,384,711.95	\$ 11,420.53	9/30/2024	14.00	0.00%	\$ 1,384,711.95	\$ 0.00	0.000%
14	1B302	12	5.00%	LD	\$ 1,384,711.95	\$ 11,420.53	9/30/2024	14.00	0.00%	\$ 1,384,711.95	\$ 0.00	0.000%
15	1B310	12	5.00%	LD	\$ 1,224,258.87	\$ 9,205.19	10/31/2026	16.10	0.00%	\$ 1,224,258.87	\$ 0.00	0.000%
16	1B312	12	5.00%	LD	\$ 1,224,258.87	\$ 9,205.19	10/31/2026	16.10	0.00%	\$ 1,224,258.87	\$ 0.00	0.000%



South Kentucky R.E.C.C.
RUS LOANS - Cash Flows

Year	Total Cash Flow	Principal Payments	Interest Payments	Outstanding Balance
5/31/2010	\$10,074,440	\$10,074,440	\$0	\$10,074,440
5/31/2011	(\$963,292)	(\$662,402)	(\$300,890)	\$9,412,038
5/31/2012	(\$1,460,853)	(\$1,010,211)	(\$450,641)	\$8,401,827
5/31/2013	(\$1,316,188)	(\$917,140)	(\$399,049)	\$7,484,688
5/31/2014	(\$1,226,216)	(\$870,225)	(\$355,991)	\$6,614,463
5/31/2015	(\$997,572)	(\$681,813)	(\$315,759)	\$5,932,650
5/31/2016	(\$993,604)	(\$711,948)	(\$281,656)	\$5,220,702
5/31/2017	(\$989,640)	(\$745,573)	(\$244,067)	\$4,475,129
5/31/2018	(\$873,140)	(\$664,348)	(\$208,792)	\$3,810,780
5/31/2019	(\$863,415)	(\$688,612)	(\$174,803)	\$3,122,168
5/31/2020	(\$689,005)	(\$544,881)	(\$144,124)	\$2,577,287
5/31/2021	(\$689,005)	(\$573,337)	(\$115,669)	\$2,003,951
5/31/2022	(\$538,711)	(\$449,488)	(\$89,223)	\$1,554,462
5/31/2023	(\$495,017)	(\$426,920)	(\$68,098)	\$1,127,543
5/31/2024	(\$495,017)	(\$448,680)	(\$46,337)	\$678,863
5/31/2025	(\$363,070)	(\$338,527)	(\$24,543)	\$340,336
5/31/2026	(\$220,925)	(\$208,614)	(\$12,310)	\$131,721
5/31/2027	(\$134,026)	(\$131,721)	(\$2,304)	\$0
5/31/2028	\$0	\$0	\$0	\$0
5/31/2029	\$0	\$0	\$0	\$0
5/31/2030	\$0	\$0	\$0	\$0
5/31/2031	\$0	\$0	\$0	\$0
5/31/2032	\$0	\$0	\$0	\$0
5/31/2033	\$0	\$0	\$0	\$0
5/31/2034	\$0	\$0	\$0	\$0
5/31/2035	\$0	\$0	\$0	\$0
5/31/2036	\$0	\$0	\$0	\$0
5/31/2037	\$0	\$0	\$0	\$0
5/31/2038	\$0	\$0	\$0	\$0
5/31/2039	\$0	\$0	\$0	\$0
5/31/2040	\$0	\$0	\$0	\$0
5/31/2041	\$0	\$0	\$0	\$0
5/31/2042	\$0	\$0	\$0	\$0
5/31/2043	\$0	\$0	\$0	\$0
5/31/2044	\$0	\$0	\$0	\$0
5/31/2045	\$0	\$0	\$0	\$0

RUS PROJECT DESIGNATION:

KENTUCKY 54-BA8 WAYNE

SUPPLEMENTAL MORTGAGE

made by and among

SOUTH KENTUCKY RURAL ELECTRIC
COOPERATIVE CORPORATION
925 North Main Street
Somerset, Kentucky 42503,

Mortgagor, and

UNITED STATES OF AMERICA
Rural Utilities Service
Washington, D.C. 20250-1500,

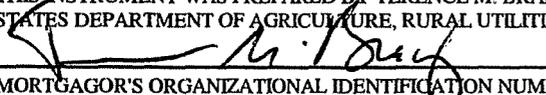
Mortgagee, and

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION
2201 Cooperative Way
Herndon, Virginia 20171-3025,

Mortgagee

Dated as of November 3, 2008

THIS INSTRUMENT GRANTS A SECURITY INTEREST IN A TRANSMITTING UTILITY.
THE DEBTOR AS MORTGAGOR IS A TRANSMITTING UTILITY.
THIS INSTRUMENT CONTAINS PROVISIONS THAT COVER REAL AND PERSONAL PROPERTY, FIXTURES, AFTER-ACQUIRED PROPERTY, PROCEEDS, FUTURE ADVANCES AND FUTURE OBLIGATIONS.
NOTICE - THIS MORTGAGE SECURES CREDIT IN THE AMOUNT OF UP TO \$200,000,000.00.
INDEBTEDNESS SECURED HEREUNDER, INCLUDING FUTURE INDEBTEDNESS, TOGETHER WITH INTEREST, ARE SENIOR TO INDEBTEDNESS TO OTHER CREDITORS UNDER MORTGAGES AND LIENS FILED OR RECORDED SUBSEQUENT HERETO.
THIS INSTRUMENT WAS PREPARED BY TERENCE M. BRADY, ASSISTANT GENERAL COUNSEL, AS ATTORNEY FOR UNITED STATES DEPARTMENT OF AGRICULTURE, RURAL UTILITIES SERVICE, WASHINGTON, D.C. 20250-1500.


MORTGAGOR'S ORGANIZATIONAL IDENTIFICATION NUMBER IS 0047666.

No. 1

Generated: October 21, 2008

restmort.v1h 12/3/98 v5.74 w/ UCC-1 revisions

SUPPLEMENTAL MORTGAGE, dated as of November 3, 2008 (hereinafter sometimes called this "Supplemental Mortgage"), is made by and among SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION (hereinafter called the "Mortgagor"), a corporation existing under the laws of the Commonwealth of Kentucky, and the UNITED STATES OF AMERICA acting by and through the Administrator of the Rural Utilities Service (hereinafter called the "Government") and NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION (hereinafter called "CFC"), a corporation existing under the laws of the District of Columbia, and is intended to confer rights and benefits on both the Government and CFC, in accordance with this Supplemental Mortgage and the Original Mortgage (hereinafter defined) (the Government and CFC being hereinafter sometimes collectively referred to as the "Mortgagees").

RECITALS

WHEREAS, the Mortgagor, the Government and CFC are parties to that certain Restated Mortgage and Security Agreement (the "Original Mortgage" as identified in Schedule "A" of this Supplemental Mortgage) originally entered into among the Mortgagor, the Government acting by and through the Administrator of the Rural Utilities Service (hereinafter called "RUS"), and CFC; and

WHEREAS, the Original Mortgage as the same may have been previously supplemented, amended or restated is hereinafter referred to as the "Existing Mortgage"; and

WHEREAS, the Mortgagor deems it necessary to borrow money for its corporate purposes and to issue its promissory notes and other debt obligations therefor, and to mortgage and pledge its property hereinafter described or mentioned to secure the payment of the same, and to enter into this Supplemental Mortgage pursuant to which all secured debt of the Mortgagor hereunder shall be secured on parity, hereunder and under the Existing Mortgage (this Supplemental Mortgage and the Existing Mortgage, hereinafter sometimes collectively referred to as the "Mortgage"); and

WHEREAS, all of the Mortgagor's Outstanding Notes listed in Schedule "A" hereto are secured pari passu by the Existing Mortgage for the benefit of all of the Mortgagees under the Existing Mortgage; and

WHEREAS, the Existing Mortgage provides the terms by which additional pari passu obligations may be issued thereunder and further provides that the Existing Mortgage may be supplemented from time to time to evidence that such obligations are entitled to the security of the Existing Mortgage and to add additional Mortgagees; and

WHEREAS, by their execution and delivery of this Supplemental Mortgage the parties hereto do hereby secure the Additional Notes listed in Schedule "A" pari passu with the Outstanding Notes under the Existing Mortgage; and

WHEREAS, all acts necessary to make this Supplemental Mortgage a valid and binding legal instrument for the security of such notes and obligations under the terms of the Mortgage, have been in all respects duly authorized;

Now, Therefore, This Supplemental Mortgage Witnesseth: That to secure the payment of the principal of (and premium, if any) and interest on all Notes and all Notes issued hereunder according to their tenor and effect, and the performance of all provisions therein and herein contained, and in consideration of the covenants herein contained and the purchase or guarantee of Notes by the guarantors or holders thereof, the Mortgagor has mortgaged, pledged and granted a continuing security interest in, and by these presents does hereby grant, bargain, sell, alienate, remise, release, convey, assign, transfer, hypothecate, pledge, set over and confirm, pledge, and grant a continuing security interest in for the purposes hereinafter expressed, unto the Mortgagees all property, rights, privileges and franchises of the Mortgagor of every kind and description, real, personal or mixed, tangible and intangible, of the kind or nature specifically mentioned herein or any other kind or nature, except any Excepted Property, set forth in

the Existing Mortgage, owned or hereafter acquired by the Mortgagor (by purchase, consolidation, merger, donation, construction, erection or in any other way) wherever located, including (without limitation) all and singular the following:

- A. all of those fee and leasehold interests in real property set forth in Schedule "B" hereto, subject in each case to those matters set forth in such Schedule; and
- B. all of those fee and leasehold interests in real property set forth in Schedule "B" of the Existing Mortgage or in any restatement, amendment or supplement thereto, subject in each case to those matters set forth in such Schedule; and
- C. all of the kinds, types or items of property, now owned or hereafter acquired, described as Mortgaged Property in the Existing Mortgage or in any restatement, amendment or supplement thereto as Mortgaged Property.

It is further Agreed and Covenanted That the Original Mortgage, as previously restated, amended or supplemented, and this Supplement shall constitute one agreement and the parties hereto shall be bound by all of the terms thereof and, without limiting the foregoing,

- 1. All capitalized terms not defined herein shall have the meaning given in Article I of the Existing Mortgage.
- 2. This Supplemental Mortgage is one of the Supplemental Mortgages contemplated by Article II of the Original Mortgage.
- 3. The Maximum Debt Limit for the Mortgage shall be as set forth in Schedule "A" hereto.

IN WITNESS WHEREOF, SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION, as Mortgagor, has caused this Supplemental Mortgage to be signed in its name and its corporate seal to be hereunto affixed and attested by its officers thereunto duly authorized, UNITED STATES OF AMERICA, as Mortgagee and NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION, as Mortgagee, have each caused this Supplemental Mortgage to be signed in their respective names by duly authorized persons, all as of this day and year first above written.

SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION

by _____, Chairman

Richard G. Stephens

(Seal)

Attest:

Secretary

Executed by the Mortgagor
in the presence of:

Witnesses

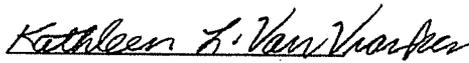
UNITED STATES OF AMERICA

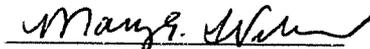
by



Administrator
of the
Rural Utilities Service

Executed by United States of America,
Mortgagee, in the presence of:

 Kathleen L. Van Vranken


Witnesses **MARY E. WEBER**

Supplemental Mortgage Schedule A - Part One

Maximum Debt Limit and Other Information

1. The Maximum Debt Limit is \$200,000,000.00.
2. The Original Mortgage as referred to in the first WHEREAS clause above is more particularly described as follows:

<u>Instrument Title</u>	<u>Instrument Date</u>
Restated Mortgage and Security Agreement	September 1, 2005
Supplemental Mortgage	November 1, 2007

3. The Outstanding Notes referred to in the fourth WHEREAS clause above that are Government Notes are more particularly described as follows:

<u>Loan Designation</u>	<u>Face Amount</u>	<u>Date</u>	<u>Final Maturity</u>	<u>% Rate¹</u>
AG6	\$994,000.00	28 Feb 1974	28 Feb 2009	5.00
AH6	\$1,134,000.00	8 May 1975	8 May 2010	5.00
AK6	\$1,134,000.00	17 Feb 1977	17 Feb 2012	5.00
AL6	\$2,882,000.00	24 Sep 1977	24 Sep 2012	5.00
AM6	\$3,704,000.00	9 Apr 1979	9 Apr 2014	5.00
AN6	\$1,917,000.00	29 Apr 1982	29 Apr 2017	5.00
AP6	\$2,968,000.00	12 Apr 1984	12 Apr 2019	5.00
AR6	\$3,088,000.00	7 Jul 1986	7 Jul 2021	5.00
AS6	\$4,418,000.00	9 Nov 1989	9 Nov 2024	5.00
AT6	\$3,561,000.00	5 Dec 1991	5 Dec 2026	5.00
AU6	\$5,075,000.00	26 Aug 1993	26 Aug 2028	5.00
AV61	\$8,315,000.00	1 Aug 1997	1 Aug 2032	V
AW44	\$20,300,000.00	1 Mar 2001	1 Mar 2036	V
AX44	\$24,154,000.00	3 Jun 2002	3 Jun 2037	V
AY44	\$26,628,000.00	1 Sep 2005	1 Sep 2040	V
AZ8 ²	\$8,709,000.00	1 Nov 2007	31 Dec 2041	V

¹V=variable interest rate calculated by RUS pursuant to title 7 of the Code of Federal Regulations or by the Secretary of Treasury. CFC=an interest rate which may be fixed or variable from time to time as provided in the CFC Loan Agreement pertaining to a loan which has been made by CFC and guaranteed by RUS. CoBank=an interest rate which may be fixed or variable from time to time as provided in the CoBank Loan Agreement pertaining to a loan which has been made by CoBank and guaranteed by RUS.

²In addition to this note which the Mortgagor has issued to FFB, the Mortgagor has also issued a corresponding promissory note to RUS designated as the certain "Reimbursement Note" bearing even date therewith. Such Reimbursement Note is payable to the Government on demand and evidences the Mortgagor's obligation immediately to repay RUS, any payment which RUS may make pursuant to the RUS guarantee of such FFB note, together with interest, expenses and penalties (all as described in such Reimbursement Note). Such Reimbursement Note is an "Additional Note issued to the Government" for purposes of this Part One of Schedule A of this Supplemental Mortgage and is entitled to all of the benefits and security of the Mortgage.

4. The Additional Notes described in the sixth WHEREAS clause above are more particularly described as follows:

<u>Loan Designation</u>	<u>Face Amount</u>	<u>Date</u>	<u>Final Maturity</u>	<u>% Rate</u> ³
AB8 ⁴	\$30,762,000.00	3 Nov 2008	31 Dec 2042	V

³See footnote 1 in this Schedule A.

⁴See footnote 2 in this Schedule A.

SCHEDULE A: Part Two

The outstanding secured obligations of the Mortgagor referred to in the fourth WHEREAS clause above are evidenced by the Original Notes described below:

ORIGINAL NOTES issued to CFC

<u>CFC Loan Designation</u>	<u>Face Amount of Note</u>	<u>Note Date</u>	<u>Maturity Date</u>
KY054-C-9003	\$426,000.00	02/28/1974	02/28/2009
KY054-C-9006	\$486,000.00	05/08/1975	05/08/2010
KY054-C-9009	\$486,000.00	02/17/1977	02/17/2012
KY054-C-9011	\$1,235,000.00	09/24/1977	09/24/2012
KY054-C-9013	\$1,671,000.00	04/09/1979	04/09/2014
KY054-C-9017	\$865,000.00	04/29/1982	04/29/2017
KY054-C-9018	\$1,339,000.00	04/12/1984	04/12/2019
KY054-C-9019	\$1,379,167.00	07/07/1986	07/07/2021
KY054-C-9020	\$1,951,546.00	11/09/1989	11/09/2024
KY054-C-9021	\$1,573,196.00	12/05/1991	12/05/2026
KY054-C-9022	\$2,265,625.00	08/26/1993	08/26/2028
KY054-C-9023	\$3,564,000.00	08/01/1997	08/01/2032

Supplemental Mortgage Schedule B

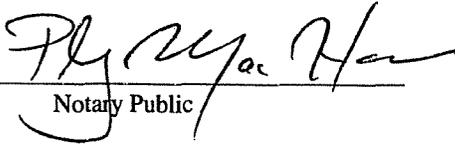
Property Schedule

THIS PAGE INTENTIONALLY HAS BEEN LEFT BLANK

DISTRICT OF COLUMBIA) SS

On this 31st day of October, 2008, personally appeared before me
JAMES M. ANDREW, who, being duly sworn, did say that he is the Administrator of
the Rural Utilities Service, an agency of the United States of America, and acknowledged to me that, acting under a
delegation of authority duly given and evidenced by law and presently in effect, he executed said instrument as the
act and deed of the United States of America for the uses and purposes therein mentioned.

IN TESTIMONY WHEREOF I have heretofore set my hand and official seal the day and year last above
written.



Notary Public

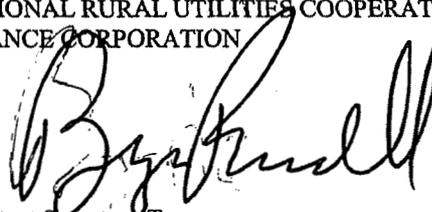
(Notarial Seal)

Peter A. MacHara
Notary Public, District of Columbia
My Commission Expires 1-14-2009

My commission expires: _____

NATIONAL RURAL UTILITIES COOPERATIVE
FINANCE CORPORATION

by



Assistant Secretary-Treasurer

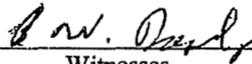
BRYAN RUSSELL

(SEAL)

Attest:  **KERRY ROLLINS**
Assistant Secretary-Treasurer

Executed by the above-named, Mortgagee, in the presence of:

 **ELAINE M MACDONALD**


Witnesses **BRIAN W DOUGHERTY**

COMMONWEALTH OF VIRGINIA)
) SS
COUNTY OF FAIRFAX)

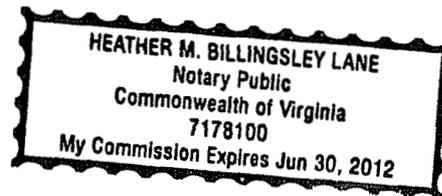
On this 11th day of November, 2008, before me appeared **BRYAN RUSSELL**, to me personally known, who, being by me duly sworn, did say that he is the ASSISTANT SECRETARY-TREASURER of the National Rural Utilities Cooperative Finance Corporation, and that the seal affixed to the foregoing instrument is the corporate seal of said corporation and that said instrument was signed and sealed in behalf of said corporation by authority of its board of directors and said ASSISTANT SECRETARY-TREASURER acknowledged said instrument to be the free act and deed of said corporation.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal.


Notary Public

(Notarial Seal)

My commission expires: _____



UCC FINANCING STATEMENT

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

A. NAME & PHONE OF CONTACT AT FILER [optional]

B. SEND ACKNOWLEDGMENT TO: (Name and Address)

National Rural Utilities Cooperative Finance Corporation
2201 Cooperative Way
Herndon, VA 20171-3025
Attn: Legal Administrative Assistant

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

1. DEBTOR'S EXACT FULL LEGAL NAME - insert only one debtor name (1a or 1b) - do not abbreviate or combine names

1a. ORGANIZATION'S NAME
South Kentucky Rural Electric Cooperative Corporation

OR

1b. INDIVIDUAL'S LAST NAME FIRST NAME MIDDLE NAME SUFFIX

1c. MAILING ADDRESS CITY STATE POSTAL CODE COUNTRY
925 North Main Street Somerset KY 42503 USA

1d. TAX ID #: SSN OR EIN ADD'L INFO RE ORGANIZATION DEBTOR 1e. TYPE OF ORGANIZATION 1f. JURISDICTION OF ORGANIZATION 1g. ORGANIZATIONAL ID #, if any
 Corporation Kentucky 0047666 NONE

2. ADDITIONAL DEBTOR'S EXACT FULL LEGAL NAME - insert only one debtor name (2a or 2b) - do not abbreviate or combine names

2a. ORGANIZATION'S NAME

OR

2b. INDIVIDUAL'S LAST NAME FIRST NAME MIDDLE NAME SUFFIX

2c. MAILING ADDRESS CITY STATE POSTAL CODE COUNTRY

2d. TAX ID #: SSN OR EIN ADD'L INFO RE ORGANIZATION DEBTOR 2e. TYPE OF ORGANIZATION 2f. JURISDICTION OF ORGANIZATION 2g. ORGANIZATIONAL ID #, if any
 NONE

3. SECURED PARTY'S NAME (or NAME of TOTAL ASSIGNEE of ASSIGNOR S/P) - insert only one secured party name (3a or 3b)

3a. ORGANIZATION'S NAME
United States of America, Rural Utilities Service, USDA

OR

3b. INDIVIDUAL'S LAST NAME FIRST NAME MIDDLE NAME SUFFIX

3c. MAILING ADDRESS CITY STATE POSTAL CODE COUNTRY
1400 Independence Avenue, S.W. Washington DC 20250-1500 USA

4. This FINANCING STATEMENT covers the following collateral:

ALL ASSETS, both real and personal, whether now or hereinafter acquired, as set forth in Attachments "A" and "B" attached hereto and incorporated herein.

5. ALTERNATIVE DESIGNATION [if applicable]: LESSEE/LESSOR CONSIGNEE/CONSIGNOR BAILEE/BAILOR SELLER/BUYER AG. LIEN NON-UCC FILING

6. This FINANCING STATEMENT is to be filed [for record] (or recorded) in the REAL ESTATE RECORDS. Attach Addendum [if applicable] 7. Check to REQUEST SEARCH REPORT(S) on Debtor(s) [optional] (ADDITIONAL FEE) All Debtors Debtor 1 Debtor 2

8. OPTIONAL FILER REFERENCE DATA
Kentucky 54-BA8 Wayne

Instructions for National UCC Financing Statement (Form UCC1)

Please type or laser-print this form. Be sure it is completely legible. Read all Instructions, especially Instruction 1; correct Debtor name is crucial. Follow Instructions completely.

Fill in form very carefully; mistakes may have important legal consequences. If you have questions, consult your attorney. Filing office cannot give legal advice. Do not insert anything in the open space in the upper portion of this form; it is reserved for filing office use.

When properly completed, send Filing Office Copy, with required fee, to filing office. If you want an acknowledgment, complete item B and, if filing in a filing office that returns an acknowledgment copy furnished by filer, you may also send Acknowledgment Copy; otherwise detach. If you want to make a search request, complete item 7 (after reading Instruction 7 below) and send Search Report Copy, otherwise detach. Always detach Debtor and Secured Party Copies.

If you need to use attachments, use 8-1/2 X 11 inch sheets and put at the top of each sheet the name of the first Debtor, formatted exactly as it appears in item 1 of this form; you are encouraged to use Addendum (Form UCC1Ad).

A. To assist filing offices that might wish to communicate with filer, filer may provide information in item A. This item is optional.

B. Complete item B if you want an acknowledgment sent to you. If filing in a filing office that returns an acknowledgment copy furnished by filer, present simultaneously with this form a carbon or other copy of this form for use as an acknowledgment copy.

1. **Debtor name:** Enter only one Debtor name in item 1, an organization's name (1a) or an individual's name (1b). Enter Debtor's exact full legal name. Don't abbreviate.
 - 1a. **Organization Debtor.** "Organization" means an entity having a legal identity separate from its owner. A partnership is an organization; a sole proprietorship is not an organization, even if it does business under a trade name. If Debtor is a partnership, enter exact full legal name of partnership; you need not enter names of partners as additional Debtors. If Debtor is a registered organization (e.g., corporation, limited partnership, limited liability company), it is advisable to examine Debtor's current filed charter documents to determine Debtor's correct name, organization type, and jurisdiction of organization.
 - 1b. **Individual Debtor.** "Individual" means a natural person; this includes a sole proprietorship, whether or not operating under a trade name. Don't use prefixes (Mr., Mrs., Ms.). Use suffix box only for titles of lineage (Jr., Sr., III) and not for other suffixes or titles (e.g., M.D.). Use married woman's personal name (Mary Smith, not Mrs. John Smith). Enter individual Debtor's family name (surname) in Last Name box, first given name in First Name box, and all additional given names in Middle Name box.
For both organization and individual Debtors: Don't use Debtor's trade name, DBA, AKA, FKA, Division name, etc. in place of or combined with Debtor's legal name; you may add such other names as additional Debtors if you wish (but this is neither required nor recommended).
 - 1c. An address is always required for the Debtor named in 1a or 1b.
 - 1d. Debtor's taxpayer identification number (tax ID #) — social security number or employer identification number — may be required in some states.
 - 1e, f, g. "Additional information re organization Debtor" is always required. Type of organization and jurisdiction of organization as well as Debtor's exact legal name can be determined from Debtor's current filed charter document. Organizational ID #, if any, is assigned by the agency where the charter document was filed; this is different from tax ID #; this should be entered preceded by the 2-character U.S. Postal identification of state of organization if one of the United States (e.g., CA12345, for a California corporation whose organizational ID # is 12345); if agency does not assign organizational ID #, check box in item 1g indicating "none."
2. If an additional Debtor is included, complete item 2, determined and formatted per Instruction 1. To include further additional Debtors, or one or more additional Secured Parties, attach either Addendum (Form UCC1Ad) or other additional page(s), using correct name format. Follow Instruction 1 for determining and formatting additional names.
 3. Enter information for Secured Party or Total Assignee, determined and formatted per Instruction 1. If there is more than one Secured Party, see Instruction 2. If there has been a total assignment of the Secured Party's interest prior to filing this form, you may either (1) enter Assignor S/P's name and address in item 3 and file an Amendment (Form UCC3) [see item 5 of that form]; or (2) enter Total Assignee's name and address in item 3 and, if you wish, also attaching Addendum (Form UCC1Ad) giving Assignor S/P's name and address in item 12.
 4. Use item 4 to indicate the collateral covered by this Financing Statement. If space in item 4 is insufficient, put the entire collateral description or continuation of the collateral description on either Addendum (Form UCC1Ad) or other attached additional page(s).
 5. If filer desires (at filer's option) to use titles of lessee and lessor, or consignee and consignor, or seller and buyer (in the case of accounts or chattel paper), or bailee and bailor instead of Debtor and Secured Party, check the appropriate box in item 5. If this is an agricultural lien (as defined in applicable Commercial Code) filing or is otherwise not a UCC security interest filing (e.g., a tax lien, judgment lien, etc.), check the appropriate box in item 5, complete items 1-7 as applicable and attach any other items required under other law.
 6. If this Financing Statement is filed as a fixture filing or if the collateral consists of timber to be cut or as-extracted collateral, complete items 1-5, check the box in item 6, and complete the required information (items 13, 14 and/or 15) on Addendum (Form UCC1Ad).
 7. This item is optional. Check appropriate box in item 7 to request Search Report(s) on all or some of the Debtors named in this Financing Statement. The Report will list all Financing Statements on file against the designated Debtor on the date of the Report, including this Financing Statement. There is an additional fee for each Report. If you have checked a box in item 7, file Search Report Copy together with Filing Officer Copy (and Acknowledgment Copy). Note: Not all states do searches and not all states will honor a search request made via this form; some states require a separate request form.
 8. This item is optional and is for filer's use only. For filer's convenience of reference, filer may enter in item 8 any identifying information (e.g., Secured Party's loan number, law firm file number, Debtor's name or other identification, state in which form is being filed, etc.) that filer may find useful.

Note: If Debtor is a trust or a trustee acting with respect to property held in trust, enter Debtor's name in item 1 and attach Addendum (Form UCC1Ad) and check appropriate box in item 17. If Debtor is a decedent's estate, enter name of deceased individual in item 1b and attach Addendum (Form UCC1Ad) and check appropriate box in item 17. If Debtor is a transmitting utility or this Financing Statement is filed in connection with a Manufactured-Home Transaction or a Public-Finance Transaction as defined in applicable Commercial Code, attach Addendum (Form UCC1Ad) and check appropriate box in item 18.

UCC FINANCING STATEMENT ADDENDUM

FOLLOW INSTRUCTIONS (front and back) CAREFULLY

9. NAME OF FIRST DEBTOR (1a or 1b) ON RELATED FINANCING STATEMENT			
9a. ORGANIZATION'S NAME			
South Kentucky Rural Electric Cooperative Corporation			
OR	9b. INDIVIDUAL'S LAST NAME		FIRST NAME
			MIDDLE NAME, SUFFIX

10. MISCELLANEOUS:

THE ABOVE SPACE IS FOR FILING OFFICE USE ONLY

11. ADDITIONAL DEBTOR'S EXACT FULL LEGAL NAME - insert only <u>one</u> name (11a or 11b) - do not abbreviate or combine names				
11a. ORGANIZATION'S NAME				
OR	11b. INDIVIDUAL'S LAST NAME		FIRST NAME	MIDDLE NAME
				SUFFIX
11c. MAILING ADDRESS			CITY	STATE
				POSTAL CODE
				COUNTRY
11d. TAX ID #: SSN OR EIN	ADD'L INFO RE ORGANIZATION DEBTOR	11e. TYPE OF ORGANIZATION	11f. JURISDICTION OF ORGANIZATION	11g. ORGANIZATIONAL ID #, if any
				<input type="checkbox"/> NONE

<input checked="" type="checkbox"/> ADDITIONAL SECURED PARTY'S or <input type="checkbox"/> ASSIGNOR S/P'S NAME - insert only <u>one</u> name (12a or 12b)				
12a. ORGANIZATION'S NAME				
National Rural Utilities Cooperative Finance Corporation				
OR	12b. INDIVIDUAL'S LAST NAME		FIRST NAME	MIDDLE NAME
				SUFFIX
12c. MAILING ADDRESS			CITY	STATE
2201 Cooperative Way			Herndon	VA
				POSTAL CODE
				COUNTRY
				20171-3025
				USA

13. This FINANCING STATEMENT covers timber to be cut or as-extracted collateral, or is filed as a fixture filing.

14. Description of real estate:

Refer to Attachment "B" attached hereto and incorporated by reference herein.

15. Name and address of a RECORD OWNER of above-described real estate (if Debtor does not have a record interest):

16. Additional collateral description:

17. Check only if applicable and check only one box.
Debtor is a Trust or Trustee acting with respect to property held in trust or Decedent's Estate

18. Check only if applicable and check only one box.
 Debtor is a TRANSMITTING UTILITY
 Filed in connection with a Manufactured-Home Transaction — effective 30 years
 Filed in connection with a Public-Finance Transaction — effective 30 years

Instructions for National UCC Financing Statement Addendum (Form UCC1Ad)

9. Insert name of first Debtor shown on Financing Statement to which this Addendum is related, exactly as shown in item 1 of Financing Statement.
10. Miscellaneous: Under certain circumstances, additional information not provided on Financing Statement may be required. Also, some states have non-uniform requirements. Use this space to provide such additional information or to comply with such requirements; otherwise, leave blank.
11. If this Addendum adds an additional Debtor, complete item 11 in accordance with instruction 1 on Financing Statement. To add more than one additional Debtor, either use an additional Addendum form for each additional Debtor or replicate for each additional Debtor the formatting of Financing Statement item 1 on an 8-1/2 X 11 inch sheet (showing at the top of the sheet the name of the first Debtor shown on the Financing Statement), and in either case give complete information for each additional Debtor in accordance with instruction 1 on Financing Statement. All additional Debtor information, especially the name, must be presented in proper format exactly identical to the format of item 1 of Financing Statement.
12. If this Addendum adds an additional Secured Party, complete item 12 in accordance with instruction 3 on Financing Statement. In the case of a total assignment of the Secured Party's interest before the filing of this Financing Statement, if filer has given the name and address of the Total Assignee in item 3 of the Financing Statement, filer may give the Assignor S/P's name and address in item 12.
- 13-15. If collateral is timber to be cut or as-extracted collateral, or if this Financing Statement is filed as a fixture filing, check appropriate box in item 13; provide description of real estate in item 14; and, if Debtor is not a record owner of the described real estate, also provide, in item 15, the name and address of a record owner. Also provide collateral description in item 4 of Financing Statement. Also check box 6 on Financing Statement. Description of real estate must be sufficient under the applicable law of the jurisdiction where the real estate is located.
16. Use this space to provide continued description of collateral, if you cannot complete description in item 4 of Financing Statement.
17. If Debtor is a trust or a trustee acting with respect to property held in trust or is a decedent's estate, check the appropriate box.
18. If Debtor is a transmitting utility or if the Financing Statement relates to a Manufactured-Home Transaction or a Public-Finance Transaction as defined in the applicable Commercial Code, check the appropriate box.

Attachment A

Debtor: South Kentucky Rural Electric Cooperative Corporation

All property, assets, rights, privileges and franchises of the Debtor of every kind and description, real, personal or mixed, tangible and intangible, of the kind or nature specifically mentioned herein OR ANY OTHER KIND OR NATURE, except any Excepted Property, now owned or hereafter acquired or arising by the Debtor (by purchase, consolidation, merger, donation, construction, erection or in any other way) wherever located, including (without limitation) all and singular the following (hereinafter sometimes called the "Collateral"):

FIRST

- A. all of those fee and leasehold interests in real property set forth in Attachment "B" hereto, subject in each case to those matters set forth in such Attachment;
- B. all of the Debtor's interest in fixtures, easements, permits, licenses and rights-of-way comprising real property, and all other interests in real property, comprising any portion of the utility system located in the Counties listed in Attachment "B" hereto;
- C. all right, title and interest of the Debtor in and to those contracts of the Debtor
 - (i) relating to the ownership, operation or maintenance of any generation, transmission or distribution facility owned, whether solely or jointly, by the Debtor,
 - (ii) for the purchase of electric power and energy by the Debtor and having an original term in excess of 3 years,
 - (iii) for the sale of electric power and energy by the Debtor and having an original term in excess of 3 years, and
 - (iv) for the transmission of electric power and energy by or on behalf of the Debtor and having an original term in excess of 3 years, including in respect of any of the foregoing, any amendments, supplements and replacements thereto;
- D. all the property, rights, privileges, allowances and franchises particularly described in the annexed Attachment "B" are hereby made a part of, and deemed to be described in, this clause as fully as if set forth in this clause at length; and

ALSO ALL OTHER PROPERTY, real estate, lands, easements, servitudes, licenses, permits, allowances, consents, franchises, privileges, rights of way and other rights in or relating to real estate or the occupancy of the same; all power sites, storage rights, water rights, water locations, water appropriations, ditches, flumes, reservoirs, reservoir sites, canals, raceways, waterways, dams, dam sites, aqueducts, and all other rights or means for appropriating, conveying, storing and supplying water, all rights of way and roads; all plants for the generation of electric and other forms of energy (whether now known or hereafter developed) by steam, water, sunlight, chemical processes and/or (without limitation) all other sources of power (whether now known or hereafter developed), all power houses, gas plants, street lighting systems, standards and other equipment incidental thereto, all telephone, radio, television and other communications, image and data transmission systems, air conditioning systems and equipment incidental thereto, water wheels, waterworks, water systems, steam and hot water plants, substations, lines, service and supply systems, bridges, culverts, tracks, ice or refrigeration plants and equipment, offices, buildings and other structures and the equipment thereto, all machinery, engines, boilers, dynamos, turbines, electric, gas and other machines, prime movers, regulators, meters, transformers, generators (including, but not limited to, engine-driven generators and turbo generator

Debtor: South Kentucky Rural Electric Cooperative Corporation

units), motors, electrical, gas and mechanical appliances, conduits, cables, water, steam, gas or other pipes, gas mains and pipes, service pipes, fittings, valves and connections, pole and transmission lines, towers, overhead conductors and devices, underground conduits, underground conductors and devices, wires, cables, tools, implements, apparatus, storage battery equipment, and all other equipment, fixtures and personalty, all municipal and other franchises, consents, certificates or permits; all emissions allowances, all lines for the transmission and distribution of electric current and other forms of energy, gas, steam, water or communications, images and data for any purpose including towers, poles, wires, cables, pipes, conduits, ducts and all apparatus for use in connection therewith, and (except as hereinbefore or hereinafter expressly excepted) all the right, title and interest of the Debtor in and to all other property of any kind or nature appertaining to and/or used and/or occupied and/or employed in connection with any property hereinbefore described, but in all circumstances excluding Excepted Property;

SECOND

With the exception of Excepted Property, all right, title and interest of the Debtor in, to and under all personal property and fixtures of every kind and nature including without limitation all goods (including inventory, equipment and any accessions thereto), instruments (including promissory notes), documents, accounts, chattel paper, electronic chattel paper, deposit accounts (including, but not limited to, money held in a trust account pursuant hereto or to a loan agreement), letter-of-credit rights, investment property (including certificated and uncertificated securities, security entitlements and securities accounts), software, general intangibles (including, but not limited to, payment intangibles), supporting obligations, any other contract rights or rights to the payment of money, insurance claims, and proceeds (as such terms are presently or hereinafter defined in the applicable UCC; provided, however that the term "instrument" shall be such term as defined in Article 9 of the applicable UCC rather than Article 3);

THIRD

With the exception of Excepted Property, all right, title and interest of the Debtor in, to and under any and all agreements, leases or contracts heretofore or hereafter executed by and between the Debtor and any person, firm or corporation relating to the Collateral (including contracts for the lease, occupancy or sale of the Collateral, or any portion thereof);

FOURTH

With the exception of Excepted Property, all right, title and interest of the Debtor in, to and under any and all books, records and correspondence relating to the Collateral, including, but not limited to all records, ledgers, leases and computer and automatic machinery software and programs, including without limitation, programs, databases, disc or tape files and automatic machinery print outs, runs and other computer prepared information indicating, summarizing, evidencing or otherwise necessary or helpful in the collection of or realization on the Collateral;

FIFTH

All other property, real, personal or mixed, of whatever kind and description and wheresoever situated, including without limitation goods, accounts, money held in a trust account pursuant hereto or to a loan agreement, and general intangibles now owned or which be hereafter acquired by the Debtor, but excluding Excepted Property, now owned or which may be hereafter acquired by the Debtor, it being the intention hereof that all property, rights, privileges, allowances and franchises now owned by the Debtor or acquired by the Debtor after the date hereof (other than Excepted Property) shall be as fully embraced within and subjected to the lien hereof as if such property were specifically described herein;

Debtor: South Kentucky Rural Electric Cooperative Corporation

SIXTH

Also any Excepted Property that may, from time to time hereafter, by delivery or by writing of any kind, be subjected to the lien hereof by the Debtor or by anyone in its behalf; and any Secured Party is hereby authorized to receive the same at any time as additional security hereunder for the benefit of all the Secured Parties. Such subjection to the lien hereof of any Excepted Property as additional security may be made subject to any reservations, limitations or conditions which shall be set forth in a written instrument executed by the Debtor or the person so acting in its behalf or by such Secured Party respecting the use and disposition of such property or the proceeds thereof;

SEVENTH

Together with all and singular the tenements, hereditaments and appurtenances belonging or in anywise appertaining to the aforesaid property or any part thereof, with the reversion and reversions, remainder and remainders and all the tolls, earnings, rents, issues, profits, revenues and other income, products and proceeds of the Collateral, and all other property of any nature appertaining to any of the plants, systems, business or operations of the Debtor, whether or not affixed to the realty, used in the operation of any of the premises or plants or the utility system, or otherwise, which are now owned or acquired by the Debtor, and all the estate, right, title and interest of every nature whatsoever, at law as well as in equity, of the Debtor in and to the same and every part thereof (other than Excepted Property with respect to any of the foregoing).

Debtor: South Kentucky Rural Electric Cooperative Corporation

EXCEPTED PROPERTY

There is, however, expressly excepted and excluded from the Collateral the following described property of the Debtor, now owned or hereafter acquired (herein sometimes referred to as "Excepted Property"):

- A. all shares of stock, securities or other interests of the Debtor in the National Rural Utilities Cooperative Finance Corporation and CoBank, ACB and its predecessors in interest other than any stock, securities or other interests that are specifically described in Subclause D of clause First as being subjected to the lien hereof;
- B. all rolling stock (except mobile substations), automobiles, buses, trucks, truck cranes, tractors, trailers and similar vehicles and movable equipment which are titled and/or registered in any state of the United States of America and all tools, accessories and supplies used in connection with any of the foregoing;
- C. all vessels, boats, ships, barges and other marine equipment, all airplanes, airplane engines and other flight equipment, and all tools, accessories and supplies used in connection with any of the foregoing;
- D. all office furniture, equipment and supplies that is not data processing, accounting or other computer equipment or software;
- E. all leasehold interests for office purposes;
- F. all leasehold interests of the Debtor under leases for an original term (including any period for which the Debtor shall have a right of renewal) of less than five (5) years;
- G. all timber and crops (both growing and harvested) and all coal, ore, gas, oil and other minerals (both in place or severed);
- H. the last day of the term of each leasehold estate (oral or written) and any agreement therefor, now or hereafter enjoyed by the Debtor and whether falling within a general or specific description of property herein: **PROVIDED, HOWEVER**, that the Debtor covenants and agrees that it will hold each such last day in trust for the use and benefit of all of the Secured Parties and that it will dispose of each such last day from time to time in accordance with such written order as the Secured Party in its discretion may give;
- I. all permits, licenses, franchises, contracts, agreements, contract rights and other rights not specifically subjected or required to be subjected to the lien hereof by the express provisions of the mortgage and security agreement by and among Debtor and Secured Parties (the "Mortgage"), whether now owned or hereafter acquired by the Debtor, which by their terms or by reason of applicable law would become void or voidable if mortgaged or pledged hereunder by the Debtor, or which cannot be granted, conveyed, mortgaged, transferred or assigned by the Mortgage without the consent of other parties whose consent has been withheld, or without subjecting any Secured Party to a liability not otherwise contemplated by the provisions of the Mortgage, or which otherwise may not be, hereby lawfully and effectively granted, conveyed, mortgaged, transferred and assigned by the Debtor; and
- J. the property, if any, identified in Attachment "C" hereto.

PROVIDED, HOWEVER, that (i) if, upon the occurrence of an Event of Default (as defined in the Mortgage), any Secured Party, or any receiver appointed pursuant to statutory provision or order of court, shall have entered into possession of all or substantially all of the Collateral, all the Excepted

Debtor: South Kentucky Rural Electric Cooperative Corporation

Property described or referred to in the foregoing Subdivisions A through H, inclusive, then owned or thereafter acquired by the Debtor shall immediately, and, in the case of any Excepted Property described or referred to in Subdivisions I through J, inclusive, upon demand of any Secured Party or such receiver, become subject to the lien hereof to the extent permitted by law, and any Secured Party or such receiver may, to the extent permitted by law, at the same time likewise take possession thereof, and (ii) whenever all Events of Default shall have been cured and the possession of all or substantially all of the Collateral shall have been restored to the Debtor, such Excepted Property shall again be excepted and excluded from the lien hereof to the extent and otherwise as hereinabove set forth.

Attachment B

Debtor: South Kentucky Rural Electric Cooperative Corporation

1. A certain tract of land described in a certain deed, dated December 27, 1948, by Maria Elliott Adkins and B. L. Adkins, her husband, as grantors, to the Mortgagor, as grantee, and recorded on January 6, 1949, in the Office of the County Court Clerk of Pulaski County, in the state of Kentucky, in Deed Book 163 on page 195;
2. A certain tract of land described in a certain deed, dated April 8, 1969, by Welby Bray and Nettie Bray, his wife, as grantors, to the Mortgagor, as grantee, and recorded on April 9, 1969, in the Office of the County Clerk of Pulaski County, in the state of Kentucky, Deed Book 290, on page 411;
3. A certain tract of land described in a certain deed, dated February 28, 1970, by Barnett Eldridge and Mafre Eldridge, his wife, Clarence Vaught and Louise Vaught, his wife, as grantors, to the Mortgagor, as grantee, and recorded on March 2, 1970, in the Office of the County Court Clerk of Pulaski County in the state of Kentucky, in Deed Book 299, on page 343;
4. A certain tract of land described in a certain deed, dated November 18, 1965, by Robert L. Polston, a single person, and L.M. Sewell, a single person, as grantors, to the Mortgagor, as grantee, and recorded on January 28, 1966, in the Office of the County Court Clerk of Clinton County, in the state of Kentucky in Deed Book 48, on pages 427 and 428;
5. A certain tract of land described in a certain deed, dated April 9, 1959, by L. C. Denney and Lena Denney, his wife, as grantors, to the Mortgagor, as grantee, and recorded on April 9, 1959, in the Office of the County Court Clerk of Wayne County, in the state of Kentucky, in Deed Book 109, on page 497;
6. A certain tract of land described in a certain deed, dated April 10, 1959, by Clona Burke and Ike Burke, her husband, as grantors, to the Mortgagor, as grantee, and recorded on April 10, 1959, in the Office of the County Court Clerk of Wayne County, in the state of Kentucky, in Deed Book 109, on page 503;
7. A certain tract of land described in a certain deed, dated April 10, 1959, by Ike Burke, and Clona Burke, his wife, as grantors, to the Mortgagor, as grantee, and recorded on April 10, 1959 in the Office of the County Court Clerk of Wayne County, in the state of Kentucky, in Deed Book 109, on page 502;

Debtor: South Kentucky Rural Electric Cooperative Corporation

8. A certain tract of land described in a certain deed, dated February 27, 1961, by Wesley Gregory and his wife, Bessie Gregory, as grantors, to the Mortgagor, as grantee, and recorded on February 27, 1961, in the Office of the County Court Clerk of Wayne County, in the state of Kentucky, in Deed Book 112, on page 274;
9. A certain tract of land described in a certain deed, dated January 12, 1960, by Bessie Absher, a widow, as grantor, to the Mortgagor, as grantee, and recorded on March 8, 1960, in the Office of the County Court Clerk of Russell County, in the state of Kentucky, in Deed Book 39, on page 431, except that portion thereof conveyed by the Mortgagor, as grantor, to East Kentucky RECC, as grantee, by deed, dated December 17, 1965, and recorded on January 3, 1966, in the Office of the County Court Clerk of Russell County, in the state of Kentucky, in Deed Book 52, on page 76;
10. A certain tract of land described in a certain deed, dated July 24, 1961, by Ella Mae Pleasant and Robert Pleasant, her husband, as grantors, to the Mortgagor, as grantee, and recorded on July 24, 1961, in the Office of the County Court Clerk of Pulaski County, in the state of Kentucky, in Deed Book 236, on page 397, except that portion thereof conveyed by the Mortgagor as grantor to Kenneth Weddle and Pauline Weddle, his wife, as grantees, by deed, dated May 5, 1966, and recorded in the Office of the County Court Clerk of Pulaski County, in the state of Kentucky, in Deed Book 271, page 195; and
11. A certain tract of land described in a certain deed dated December 27, 1967, by Kenneth Weddle, a single man, and Pauline Weddle, a single woman, as grantors, to the Mortgagor, as grantee, and recorded on January 8, 1968, in the Office of the County Court Clerk of Pulaski County, in the State of Kentucky, in Deed Book 280, on page 453;
12. A certain tract of land described in a certain deed, dated January 25, 1972, by Horace A. Withers and Georgia Withers, his wife, as grantors, to the Mortgagor, as grantee, and recorded on August 30, 1972, in the Office of the County Court Clerk of Pulaski County, in the state of Kentucky, in Deed Book 329, on page 88;
13. A certain tract of land described in a certain deed, dated October 13, 1978, by Gerald E. Phelps and Bonnie Rose Phelps, his wife, as grantors, to the Mortgagor, as grantee, and recorded on October 16, 1978, in the Office of the County Court Clerk of Pulaski County in the state of Kentucky, in Deed Book 387, on page 404;
14. A certain tract of land described in a certain deed, dated November 1, 1978, by Larry Ross Martin and Katharyn Martin, his wife, as grantors, to the Mortgagor, as grantee, and recorded on November 2, 1978, in the Office of the County Court Clerk of Pulaski County in the State of Kentucky, in Deed Book 388, on page 145;

Debtor: South Kentucky Rural Electric Cooperative Corporation

15. A certain tract of land described in a certain deed, dated February 4, 1991, by Rupert D. Burkett and Kara B. Burkett, as grantors, to the Mortgagor, as grantee, and recorded on February 4, 1991, in the Office of the County Court Clerk of Pulaski County in the state of Kentucky, in Deed Book 498, on page 562;
16. A certain tract of land described in a certain deed, dated February 4, 1991, by Thelma Sowder, a widow, as grantor, to the Mortgagor, as grantee, and recorded on February 4, 1991, in the Office of the County Court Clerk of Pulaski County in the state of Kentucky, in Deed Book 498, on page 565;
17. A certain tract of land described in a certain deed, dated April 6, 1994, by Norma Putteet and Harrison Childers, Co-Executors of the Estate of Goldia P. Childers, as grantors, to the Mortgagor, as grantee, and recorded on April 8, 1994, in the Office of the County Court Clerk of Pulaski County in the state of Kentucky, in Deed Book 546, on page 625;
18. A certain tract of land described in a certain deed, dated September 27, 1994, by Brentie O. Bray and Joyce Dean Bray, his wife, as grantors, to the Mortgagor, as grantee, and recorded on September 27, 1994, in the office of the County Court Clerk of Pulaski County in the state of Kentucky, in Deed Book 555, on page 304;
19. A certain tract of land described in a certain deed, dated May 3, 1995, by Kermit Burton and Wanda Burton, his wife, as grantors, to the Mortgagor, as grantee, and recorded on May 5, 1995, in the Office of the County Court Clerk of Russell County in the state of Kentucky, in Deed Book 148, on page 643;
20. A certain tract of land described in a certain deed, dated June 1, 1995, by Ray G. Smith and Genevieve Smith, his wife, as grantors, to the Mortgagor, as grantee, and recorded on June 1, 1995, in the Office of the County Clerk of Russell County in the state of Kentucky, in Deed Book 148, on page 549;
21. A certain tract of land described in a certain deed, dated November 21, 1995, by The Monticello Banking Company, as grantor, to the Mortgagor, as grantee, and recorded on November 21, 1995, in the Office of the County Clerk of Wayne County in the state of Kentucky, in Deed Book 247, on page 166;
22. A certain tract of land described in a certain deed, dated March 14, 2003, by James A. Staton and Diane Staton, his wife and Mitchell Staton and Judy Staton, his wife, as grantors, to the Mortgagor, as grantee, and recorded on March 18, 2003, in the office of the County Court Clerk of Clinton County in the state of Kentucky, in Deed Book 122, on page 109;

Debtor: South Kentucky Rural Electric Cooperative Corporation

23. A certain tract of land described in a certain deed, dated August 15, 2003, by Speculative Ventures, Inc., as grantor, to the Mortgagor, as grantee, and recorded on August 18, 2003, in the office of the County Court Clerk of Pulaski County in the state of Kentucky, in Deed Book 721, on page 326;
24. A certain tract of land described in a certain deed, dated August 27, 2003, by Darrell L. Saunders, as grantor, to the Mortgagor, as grantee, and recorded on September 5, 2003, in the office of the County Court Clerk of Russell County in the state of Kentucky, in Deed Book 218, on page 25;
25. A certain tract of land described in a certain deed, dated November 24, 2003, by William E. Alcorn and Antha Alcorn, his wife, as grantors, to the Mortgagor, as grantee, and recorded on November 24, 2003, in the office of the County Court Clerk of McCreary County in the state of Kentucky, in Deed Book 166, on page 751-753;
26. A certain tract of land described in a certain deed, dated February 5, 2004, by Tina Dodson and William Paul Dodson, a/k/a Paul Dodson, her husband, as grantors, to the Mortgagor, as grantee, and recorded on February 9, 2004, in the office of the County Court Clerk of Pulaski County in the state of Kentucky, in Deed Book 731, on page 506;
27. A certain tract of land described in a certain deed, dated February 5, 2004, by Arlin Miller and Maxine Miller, his wife, as grantors, to the Mortgagor, as grantee, and recorded on February 9, 2004, in the office of the County Court Clerk of Pulaski County in the state of Kentucky, in Deed Book 731, on page 509;
28. A certain tract of land described in a certain deed, dated February 5, 2004, by Jo Ann Baker Taylor and William Taylor, her husband, and Tina Dodson and William P. Dodson, a/k/a Paul Dodson, her husband, and Bobby D. Baker and Susan Brooke Baker, his wife, as grantors, to the Mortgagor, as grantee, and recorded on February 9, 2004, in the office of the County Court Clerk of Pulaski County in the state of Kentucky, in Deed Book 731, on page 512.
29. A certain tract of land described in a certain deed, dated February 6, 2004, by LEL, Ltd., as grantor, to the Mortgagor, as grantee, and recorded on February 11, 2004, in the office of the County Court Clerk of McCreary County in the state of Kentucky, in Deed Book 167, on page 530-532.