

DORSEY, KING, GRAY, NORMENT & HOPGOOD

ATTORNEYS-AT-LAW

318 SECOND STREET

HENDERSON, KENTUCKY 42420

JOHN DORSEY (1920-1986)
FRANK N. KING, JR.
STEPHEN D. GRAY
WILLIAM B. NORMENT, JR.
J. CHRISTOPHER HOPGOOD
S. MADISON GRAY

TELEPHONE
(270) 826-3965
TELEFAX
(270) 826-6672
www.dkgnlaw.com

November 10, 2011

RECEIVED

NOV 14 2011

PUBLIC SERVICE
COMMISSION

Mr. Jeff Derouen
Executive Director
Kentucky Public Service Commission
Post Office Box 615
Frankfort, KY 40602

Re: In the Matter of: Application of Kenergy Corp.
For Authorization to Borrow \$4,394,503 from
CoBank and Execute Necessary Notes and to
Prepay Rural Utilities Service 5% Notes of the
Same Amount

Dear Mr. Derouen:

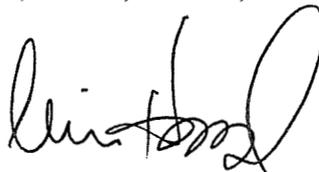
Enclosed for filing please find the original and 10 copies of Application of Kenergy Corp. in the above matter. As stated in the application Kenergy requests expedited approval by December 21, 2011, so that it may close the refinancing transaction by December 30, 2011. Kenergy has entered into a letter agreement with CoBank regarding the forward setting of a fixed interest rate and may incur a broken funding charge if it is unable to close by December 30, 2011 (see Exhibit 2, Attachment 2, of application for copy of said letter).

Your assistance in this matter is appreciated.

Respectfully,

DORSEY, KING, GRAY, NORMENT & HOPGOOD

By



J. Christopher Hopgood

JCH/cds

Enclosures

COPY/w/Encls.: Mr. Steve Thompson, Kenergy Corp.

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

NOV 14 2011

PUBLIC SERVICE
COMMISSION

In the Matter of:

APPLICATION OF KENERGY CORP. FOR)
AUTHORIZATION TO BORROW \$4,394,503)
FROM COBANK AND EXECUTE NECESSARY)
NOTES AND TO PREPAY RURAL UTILITIES)
SERVICE 5% NOTES OF THE SAME AMOUNT)

CASE NO.

APPLICATION

Kenergy Corp. (“Kenergy”) respectfully submits this application seeking expedited approval by December 21, 2011 (in order to close by December 30, 2011) of long-term refinancing, pursuant to KRS 278.300. The petition respectfully shows;

1. Kenergy is a nonprofit electric cooperative organized under KRS Chapter 279 and is engaged in the business of distributing retail electric power to member customers in the Kentucky counties of Breckenridge, Caldwell, Crittenden, Daviess, Hancock, Henderson, Hopkins, Livingston, Lyon, McLean, Muhlenberg, Ohio, Union and Webster.

2. Kenergy’s post office address is Post Office Box 18, Henderson, Kentucky 42419-0018.

3. The current Articles of Consolidation are filed in Case No. 99-136.

4. As of September 30, 2011, Kenergy serves 55,237 member-customers. It has 7,017 miles of distribution lines in its fourteen 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 September 30, 2011 is \$243,371,950.

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

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

7. Kenergy seeks to borrow from CoBank a total of \$4,394,503 and execute one note in conjunction with this borrowing from CoBank at a fixed interest rate of 3.15%. A copy of the proposal letter from CoBank is attached in Exhibit 2, Attachment B, of this application. A copy of the resolution of the Kenergy Board of Directors approving the subject refinancing is attached in Exhibit 2, Attachment A. The CoBank loan is secured under the provisions of the Restated Mortgage and Security Agreement filed in Case No. 2010-00201.

8. Kenergy expects the actual payoff to be very close to the \$4,394,503. Kenergy proposes to adjust any difference through the line of credit agreement with CoBank, which will allow the note with CoBank to stay at \$4,394,503.

9. Kenergy will use the proceeds from the CoBank loan to prepay notes of the same amount outstanding to Rural Utilities Service "RUS". The notes being prepaid are listed in the CoBank proposal in Exhibit 2, Attachment B.

10. Kenergy has received expedited approval from the Public Service Commission in Case No's. 2004-00091 and 2010-00201 to refinance \$6,281,789 and \$9,110,101 respectively of 5% RUS notes with CoBank.

11. The notes secured by mortgages of Kenergy are listed in Exhibit 1, Attachment A, of this application.

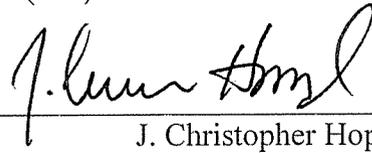
12. As no property is being acquired in conjunction with this financing, 807 KAR 5:001, Section 11(2)(c) is not applicable.

13. Additional information in support of this application is included in attached Exhibit 2, including net present value analysis of the cash flows over the life of the loan. The lifetime nominal cash flow dollar savings are \$1,564,804, with a present value of \$512,733 discounted at the fixed interest rate of 5% .

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

DATED at Henderson, Kentucky, this 10th day of November, 2011.

DORSEY, KING, GRAY, NORMENT & HOPGOOD
Attorneys for Applicant
318 Second Street
Henderson, Kentucky 42420
Phone: (270) 826-3965
FAX: (270) 826-6672

By: 

J. Christopher Hopgood

VERIFICATION

The undersigned, Sanford Novick, being first duly sworn states that he is the President and Chief Executive Officer of Kenergy Corp.; 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.

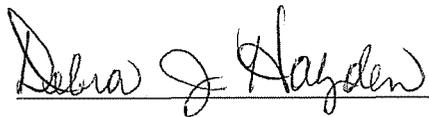


Sanford Novick

STATE OF KENTUCKY
COUNTY OF HENDERSON

Subscribed, sworn to, and acknowledged before me by Sanford Novick this 10th day of November, 2011.

My commission expires 5-24-2015.



(seal)

Notary Public, State of KY at Large

KENERGY CORP.

CASE NO. _____

INDEX OF EXHIBITS TO APPLICATION

FINANCIAL EXHIBIT – 807 KAR 5:001, SECTION 6

- Exhibit 1 – Attachment ANotes Executed
- Exhibit 1 – Attachment BStatement of Operations
- Exhibit 1 – Attachment CFinancial & Statistical Report

SUPPLEMENTAL INFORMATION

- Exhibit 2 - Attachment A..... Board Resolution
- Exhibit 2 – Attachment BCoBank Proposal
- Exhibit 2 - Attachment CRestated Mortgage & Security Agreement
(filed in Case No. 2010 – 00201)

APPLICATION OF KENERGY CORP.

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 September 30, 2011, which is within the 90 day requirement of 807 KAR 5:001, Section 6.

- Section 6(1) Kenergy has no stock authorized.
- Section 6(2) Kenergy has no stock issued or outstanding.
- Section 6(3) Kenergy has no preferred stock issued.
- Section 6(4) All of Kenergy's loans with the RUS, CoBank and CFC are secured by the Restated Mortgage and Security Agreement ("Restated Mortgage"), which was executed on July 1, 2003. A copy of the Restated Mortgage was filed in Case No. 2010-00201. Kenergy is the mortgagor, while the RUS, CoBank and CFC are the mortgagees. The total debt limit is \$250,000,000. The current actual indebtedness is shown as Attachment A, pages 1 – 3 of Exhibit 1. There are no sinking fund provisions contained in the Restated Mortgage.
- Section 6(5) Kenergy has no bonds authorized or issued.
- Section 6(6) Attachment A to this Exhibit contains the listing of Kenergy's total notes outstanding.
- Section 6(7) Kenergy has no other indebtedness.
- Section 6(8) As Kenergy 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 contain Kenergy's detailed income statement and balance sheet.

**FINANCIAL EXHIBITS FOR KENERGY
NOTES EXECUTED
AS OF SEPTEMBER 30, 2011**

Line No.	Note No.	Date of Issue	Principal Balance	Date of Principal Maturity	Rate of Interest	Payable In Favor of	Date of Interest Term Maturity (if not same as principal)	Fiscal Year ending December 31, 2010
1	1B170	12/05/86	-	2021	5.00%	U.S. GOVERNMENT		\$ 22,939.12
2	1B172	12/05/86	-	2021	5.00%	U.S. GOVERNMENT		\$ 22,939.12
3	1B180	06/23/86	-	2023	5.00%	U.S. GOVERNMENT		\$ 25,265.06
4	1B182	06/23/86	-	2023	5.00%	U.S. GOVERNMENT		\$ 25,265.06
5	1B190	10/29/90	-	2025	5.00%	U.S. GOVERNMENT		\$ 30,166.21
6	1B192	06/29/92	-	2027	5.00%	U.S. GOVERNMENT		\$ 30,166.21
7	1B200	01/28/93	\$ 1,281,185	2028	5.00%	U.S. GOVERNMENT		\$ 67,289.97
8	1B201	01/28/93	\$ 341	2028	5.00%	U.S. GOVERNMENT		\$ 17.92
9	1B205	01/28/93	\$ 1,281,526	2029	5.00%	U.S. GOVERNMENT		\$ 67,308
10	1B210	12/14/94	\$ 1,224,092	2029	4.00%	U.S. GOVERNMENT		\$ 51,269
11	1B211	12/14/94	\$ 335	2029	3.125%	U.S. GOVERNMENT	05/31/20	\$ 11
12	1B215	12/14/94	\$ 1,141,526	2029	3.125%	U.S. GOVERNMENT	05/31/20	\$ 37,489
13	1B220	07/01/97	\$ 1,526,708	2032	3.50%	U.S. GOVERNMENT	12/31/13	\$ 55,643
14	1B225	07/01/97	\$ 1,543,446	2032	4.125%	U.S. GOVERNMENT		\$ 66,105
15	1B340	11/26/86	-	2021	5.00%	U.S. GOVERNMENT		\$ 14,193
16	1B342	11/26/86	-	2021	5.00%	U.S. GOVERNMENT		\$ 14,193
17	1B350	05/24/89	-	2024	5.00%	U.S. GOVERNMENT		\$ 21,855
18	1B353	05/24/89	-	2024	5.00%	U.S. GOVERNMENT		\$ 22,464
19	1B360	04/21/93	\$ 917,347	2029	5.00%	U.S. GOVERNMENT		\$ 47,922
20	1B366	04/21/93	\$ 942,520	2029	5.00%	U.S. GOVERNMENT		\$ 49,226
21	1B370	08/12/98	\$ 2,138,088	2033	5.125%	U.S. GOVERNMENT		\$ 113,062
22	1B375	01/19/99	\$ 345,656	2034	5.00%	U.S. GOVERNMENT		\$ 17,848
23	1B376	02/10/99	\$ 325,323	2034	5.00%	U.S. GOVERNMENT		\$ 16,798
24	1B377	05/12/99	\$ 731,977	2034	5.00%	U.S. GOVERNMENT		\$ 37,795
25	1B378	05/26/99	\$ 463,586	2034	5.00%	U.S. GOVERNMENT		\$ 23,937
26	1B380	02/01/01	\$ 15,339,948	2036	2.125%	U.S. GOVERNMENT	03/31/12	\$ 338,989
27	1B381	02/01/01	\$ 9,877,614	2036	2.125%	U.S. GOVERNMENT	04/30/17	\$ 248,061
28	1B382	02/01/01	\$ 5,339,575	2036	3.750%	U.S. GOVERNMENT	01/31/12	\$ 206,590
29	1B383	02/01/01	\$ 6,937,184	2036	3.250%	U.S. GOVERNMENT	07/31/11	\$ 233,129
30	1B384	02/01/01	\$ 8,136,237	2036	2.625%	U.S. GOVERNMENT	03/31/13	\$ 221,518
31	1B570	06/19/99	\$ 258,632	2034	5.00%	U.S. GOVERNMENT		\$ 13,354
32	1B390	01/31/06	\$ 3,770,883	2041	4.690%	U.S. GOVERNMENT		\$ 180,461
33	1B391	01/31/06	\$ 3,788,031	2041	5.120%	U.S. GOVERNMENT		\$ 197,609
34	1B392	01/31/06	\$ 4,252,074	2041	4.900%	U.S. GOVERNMENT		\$ 212,440

**FINANCIAL EXHIBITS FOR KENERGY
NOTES EXECUTED
AS OF SEPTEMBER 30, 2011**

Line No.	Note No.	Date of Issue	Principal Balance	Date of Principal Maturity	Rate of Interest	Payable In Favor of	Date of Interest Term Maturity (if not same as principal)	Fiscal Year ending December 31, 2010
35	1B393	01/31/06	\$ 4,258,932	2041	5.070%	U.S. GOVERNMENT		\$ 220,049
36	1B394	01/31/06	\$ 4,871,544	2041	4.470%	U.S. GOVERNMENT		\$ 222,372
37	1B395	01/31/06	\$ 4,925,568	2041	4.690%	U.S. GOVERNMENT		\$ 235,720
38	F0010	07/01/03	\$ 5,426,403	2037	4.940%	U.S. GOVERNMENT		\$ 277,079
39	F0015	07/01/03	\$ 4,522,003	2037	4.940%	U.S. GOVERNMENT		\$ 230,899
40	F0020	07/01/03	\$ 5,426,403	2037	4.940%	U.S. GOVERNMENT		\$ 277,079
41	F0025	07/01/03	\$ 3,938,471	2037	4.940%	U.S. GOVERNMENT		\$ 201,104
42	F0030	11/03/08	\$ 8,844,004	2042	3.544%	U.S. GOVERNMENT		\$ 321,582
43	F0035	11/03/08	\$ 8,870,477	2042	4.537%	U.S. GOVERNMENT		\$ 411,686
44	Economic Dev Loan	02/20/04	\$ 116,666	2014	0.00%	U.S. GOVERNMENT		
45	Economic Dev Loan	02/16/06	\$ 285,185	2016	0.00%	U.S. GOVERNMENT		
46	Economic Dev Loan	06/22/06	\$ 216,666	2016	0.00%	U.S. GOVERNMENT		
47	Cushion of Credit	n/a	\$ (19,607,050)	n/a	5.00%	U.S. GOVERNMENT		
48	ML0501T1	07/01/97	\$ 1,495,981	2032	5.16%	CoBank	10/14/14	\$ 80,153
49	ML0501T2	12/05/86	\$ 897,180	2019	4.42%	CoBank	02/17/12	\$ 43,746
50	ML0501T4	10/05/88	\$ 963,423	2022	4.42%	CoBank	02/17/12	\$ 45,982
51	ML0501T5	02/03/84	\$ 669,250	2017	4.39%	CoBank	03/18/15	\$ 34,876
52	ML0501T6	10/05/93	\$ 1,173,417	2028	4.39%	CoBank	03/18/15	\$ 56,831
53	ML0501T7	01/05/94	\$ 1,156,627	2029	6.21%	CoBank	02/20/16	\$ 75,485
54	ML0501T8	06/15/92	\$ 1,215,108	2025	6.21%	CoBank	02/20/16	\$ 79,837
55	ML0501T10	10/02/01	\$ 2,923,623	2026	5.16%	CoBank	10/14/14	\$ 161,006
56	ML0501T11	09/19/03	\$ 1,035,023	2014	4.94%	CoBank		\$ 92,119
57	ML0501T12	04/05/04	\$ 571,315	2015	4.64%	CoBank		\$ 35,433
58	ML0501T13	04/05/04	\$ 773,318	2016	4.77%	CoBank		\$ 46,476
59	ML0501T14	04/05/04	\$ 568,015	2017	4.89%	CoBank		\$ 33,627
60	ML0501T15	04/05/04	\$ 1,087,809	2018	4.97%	CoBank		\$ 63,607
61	ML0501T19	08/18/04	\$ 432,908	2021	6.24%	CoBank	02/16/12	\$ 30,622
62	ML0501T20	08/18/04	\$ 759,299	2029	6.24%	CoBank	02/16/12	\$ 51,020
63	ML0501T21	08/18/04	\$ 1,215,105	2033	6.24%	CoBank	02/16/12	\$ 80,592
64	ML0501T22	06/30/10	\$ 8,180,880	2020	4.41%	CoBank		\$ 203,821
65								
66			<u>\$ 128,777,387</u>	(1)				<u>\$ 6,346,122</u> (2)

68 (1) RUS Form 7, Part C, Line 41 plus 45

69 (2) Exclusive of Cobank capital credits \$153,357.

**KENERGY CORP.
STATEMENT OF OPERATIONS**

(a)	12 MONTHS SEPTEMBER 30, 2011 (b)
1 Operating Revenue and Patronage Capital	\$417,576,768
2 Power Production Expense	
3 Cost of Purchased Power	\$379,028,160
4 Transmission Expense	
5 Distribution Expense - Operations	\$4,092,359
6 Distribution Expense - Maintenance	\$8,711,919
7 Customer Accounts Expense	\$3,546,423
8 Customer Service and Informational Expense	\$201,952
9 Sales Expense	\$118,580
10 Administrative and General Expense	\$3,399,360
11 Total Operation & Maintenance Expense (2 thru 10)	\$399,098,753
12 Depreciation and Amortization Expense	\$8,426,178
13 Tax Expense - Property & Gross Receipts	
14 Tax Expense - Other	\$355,515
15 Interest on Long-Term Debt	\$5,922,282
16 Interest Charged to Construction - Credit	(\$36,604)
17 Interest Expense - Other	\$261,500
18 Other Deductions	\$60,323
19 Total Cost of Electric Service (11 thru 18)	\$414,087,947
20 Patronage Capital & Operating Margins (1 minus 19)	\$3,488,821
21 Non-Operating Margins - Interest	\$1,025,964
22 Allowance for Funds Used During Construction	
23 Income (Loss) from Equity Investments	
24 Non-Operating Margins - Other	(\$9,810)
25 Generation and Transmission Capital Credits	
26 Other Capital Credits and Patronage Dividends	\$138,612
27 Extraordinary Items	
28 Patronage Capital or Margins (20 thru 27)	\$4,643,587

FINANCIAL AND STATISTICAL REPORT	BORROWER DESIGNATION	
	KENERGY	
INSTRUCTIONS - See RUS Bulletin 1717B-2	PERIOD ENDED	RUS USE ONLY
	SEPTEMBER 30, 2011	

PART C. BALANCE SHEET

ASSETS AND OTHER DEBITS		LIABILITIES AND OTHER CREDITS	
1. Total Utility Plant in Service.....	251,460,930	30. Memberships.....	245,275
2. Construction Work in Progress.....	1,574,636	31. Patronage Capital.....	61,030,540
3. Total Utility Plant (1+2).....	253,035,566	32. Operating Margins - Prior Years.....	78,651
4. Accum. Provision for Depreciation and Amort.....	71,105,520	33. Operating Margins - Current Years.....	1,822,389
5. Net Utility Plant (3-4).....	181,930,046	34. Non-Operating Margins.....	798,953
6. Non-Utility Property (Net).....	3,719	35. Other Margins and Equities.....	3,768,491
7. Investments in Subsidiary Companies.....		36. Total Margins & Equities (30 thru 35).....	67,744,299
8. Invest. In Assoc.Org.-Patronage Capital.....	837,594	37. Long-Term Debt - RUS (Net).....	38,289,847
9. Invest. In Assoc.Org.-Other-General Funds.....	382,556	(Payments-Unapplied \$19,607,050)	
10. Invest. In Assoc.Org.-Other-Nongeneral Funds....	4,349,876	38. Long-Term Debt - RUS - Econ. Devel. (Net)	457,407
11. Investments in Economic Development Projects....	618,518	39. Long-Term Debt Other - REA Guaranteed	61,954,281
12. Other Investments.....	6,600	40. Long-Term Debt - Other (Net).....	22,704,092
13. Special Funds.....	403,896	41. Total Long-Term Debt (37 thru 40).....	123,405,627
14. Total Other Property and Investments (6 thru 13)...	6,602,759	42. Obligations Under Capital Leases.....	
15. Cash - General Funds.....	242,370	43. Accumulated Operating Provisions.....	1,564,165
16. Cash - Construction Funds - Trustee.....		44. Total Other Noncurrent Liabilites (42 + 43)...	1,564,165
17. Special Deposits.....		45. Notes Payable.....	5,371,760
18. Temporary Investments.....	2,100,792	46. Accounts Payable.....	36,862,221
19. Notes Receivable (Net).....		47. Consumer Deposits.....	4,107,080
20. Accounts Receivable - Sales of Energy (Net).....	35,008,445	48. Other Current and Accrued Liabilities.....	2,344,635
21. Accounts Receivable - Other (Net).....	3,865,730	49. Total Current & Accrued Liabilities (45 thru 48)	48,685,696
22. Materials and Supplies - Electric and Other.....	2,588,615	50. Deferred Credits.....	1,972,163
23. Prepayments.....	566,964	51. Accumulated Deferred Income Taxes.....	
24. Other Current and Accrued Assets.....	10,121,531	52. Total Liabilities and Other Credits	
25. Total Current and Accrued Assets (15 thru 24).....	54,494,447	(36 + 41 + 44 + 49 thru 51).....	243,371,950
26. Regulatory Assets.....		ESTIMATED CONTRIBUTIONS IN AID OF CONSTRUCTION	
27. Other Deferred Debits.....	344,698	53. Balance Beginning of Year.....	
28. Accumulated Deferred Income Taxes.....		54. Amount Received This Year(Net).....	
29. Total Assets and Other Debits (5+14+25 thru 28)	243,371,950	55. Total Contributions in Aid of Construction.....	

PART D. NOTES TO FINANCIAL STATEMENTS

THIS SPACE BELOW IS PROVIDED FOR IMPORTANT NOTES REGARDING THE FINANCIAL STATEMENT CONTAINED IN THIS REPORT.
 (IF ADDITIONAL SPACE IS NEEDED, USE SEPARATE SHEET.)



P.O. Box 1389 ♦ 3111 Fairview Drive
Owensboro, Kentucky 42302-1389
(270) 926-4141 ♦ FAX (270) 685-2279
(800) 844-4732

EXCERPT FROM THE MINUTES OF A MEETING OF THE
BOARD OF DIRECTORS OF KENERGY CORP.

WHEREAS, a refinancing of Rural Utilities Service (RUS) secured debt is permitted under Article II, Section 2.02 of the RUS mortgage,

WHEREAS, Kenergy Corp. has approximately \$6.5 million of RUS fixed 5% notes,

WHEREAS, in the current interest rate environment, it appears that Kenergy will realize a savings if it replaces said RUS 5% notes with CoBank or CFC notes,

WHEREAS, the interest rate changes daily and the exact date of the loan closing is undeterminable because Kentucky Public Service Commission (KPSC) approval is required,

NOW, THEREFORE, BE IT RESOLVED, that John B. Warren, Kenergy Corp. Board Chairman, or Sanford Novick, President/CEO, is authorized to execute the forward setting of a fixed interest rate less than 5% exclusive of capital credit retirements.

BE IT FURTHER RESOLVED, that Sanford Novick, President/CEO, is authorized and directed, on behalf of Kenergy Corp., to seek KPSC approval for refinancing all or a portion of said RUS 5% notes, as determined by the President/CEO and approved by KPSC.

I, Debra Hayden, Assistant Secretary, certify that the foregoing is a true and correct excerpt from the minutes of a meeting of the board of directors of Kenergy Corp. on November 8, 2011.


Assistant Secretary



November 8, 2011

900 Circle 75 Parkway, Ste. 1400
Atlanta, GA 30339
Phone: 770-618-3200
Fax: 770-618-3202
www.cobank.com

Steve Thompson
Vice President of Accounting & Finance
Kenergy Corp.
P.O. Box 1389
Owensboro, KY 42302

RE: 10 Year Forward Flx

Dear Steve,

The purpose of this letter is to confirm the agreement between CoBank, ACB ("CoBank") and Kenergy Corp. (the "Company") regarding the forward setting of a fixed rate with respect to a \$4,394,503 term loan to refinance the Rural Utilities Service. The terms of our agreement are as follows:

1. Amount to be fixed: \$4,394,503
2. Fixed Rate: 3.15% per annum.
3. Date fixed rate first becomes available: November 8, 2011
4. Date forward fixed rate ceases to be available: January 9, 2012
5. Date fixed rate period ends: November 20, 2021
6. Amount to be fixed does amortize over the fixed rate period as follows: Monthly level P&I payments commencing January 20, 2012 and ending November 20, 2021.
7. Broken Funding Charge: The Company agrees to pay to CoBank, on demand, a broken funding charge in the amount specified below if the Company does not, for any reason whatsoever (including, without limitation, the inability of the parties to agree on documentation or the Company's failure to satisfy applicable conditions precedent or the underlying loan commitment having been suspended or canceled or the reasons set forth in paragraph 8 below), borrow all of the amount to be fixed hereunder on or prior to the date the fixed rate ceases to be available. The broken funding charge shall be in an amount (calculated in accordance with methodology established by CoBank) equal to the present value of the sum of: (1) all losses and expenses incurred by CoBank in retiring, liquidating, or reallocating any debt, obligation, or cost incurred or allocated by CoBank to fund or hedge the forward fixed rate; plus (2) 1/2 of 1 percent of the amount to be fixed hereunder for the period such amount was scheduled to have been outstanding at the rate set forth above.
8. Please be advised that the loan requested by you has not been approved by CoBank, nor has a commitment for such loan been issued by CoBank. By signing this agreement, you acknowledge and agree that the broken funding charge provision will be applicable in the event that approval for the requested loan shall be denied or not obtained.

For our records, please acknowledge our agreement by signing in the space provided below and by returning this confirmation to my attention prior to the close of business today.

CoBANK, ACB

By:

William Dunn

Title:

VICE PRESIDENT

AGREED AND ACCEPTED as of the date shown above:
Kenergy Corp.

By:

John B. Warrant

Title:

Chairman

Kenergy Corp.

RUS Refinancing Term Loan \$4,394,503

November 8, 2011

Table of Contents

Executive Summary

- 1. Existing RUS Loan Profile & Summary Analysis**
- 2. Side by Side Comparison of RUS Notes and CoBank Loan**
- 3. CoBank Patronage and Effective Cost of Borrowing - RUS Notes**
- 4. Closing Procedures**

Executive Summary

Kenergy Corp. (Kenergy) currently holds approximately \$4.4 million in RUS debt at an interest rate of 5%, which would qualify for CoBank refinancing at a life time fixed rate currently of 3.15%. At such a rate, CoBank's patronage refunds would result in an effective rate of approximately 2.29%, an effective savings of 86 basis points. The total projected savings amounts to \$1,564,804.00 with a present value of \$512,733.00. CoBank requests Kenergy's consideration as lender for these loans. Such refinancing of mortgage debt is permitted by RUS under Article II, Section 2.02 of the Mortgage.

We have enclosed for your review a profile of existing eligible notes including a comparison of savings opportunity (Tab 1), a side by side comparison of the RUS loans' interest cost versus CoBank's loan interest cost and patronage payments (Tab 2), an analysis of CoBank's Patronage Refunds, Capital Plan and Effective Cost of Borrowing (Tab 3) and a summary of anticipated closing procedures (Tab 4).

We propose to consolidate the five RUS notes into a single note with a principal repayment tenor of 10 years versus the RUS consolidated notes' remaining life of seventeen years. Shortening the life of these notes to ten years would not dramatically increase your total debt service and will provide for a greater lifetime interest expense savings.

CoBank is pleased to have this opportunity to present this information as part of its effort to find innovative ways for Kenergy to enhance its success. This booklet is not a commitment to lend or an offer to make a loan. A commitment shall be in the form of a loan agreement upon receipt of an acceptable application, resolution, and other documentation as required by CoBank. Thank you for your consideration.

TAB 1

RUS notes proposed for refinancing:

Kenergy Corp.
Loan Balances as of 12/31/2011

Note ID	Principal Balance	Final Payment Date	Years Remaining
1B200	1,272,537.47	12/31/2027	16.01
1B201	338.57	10/31/2027	15.84
1B205	1,272,876.28	12/31/2027	16.01
1B360	911,848.57	05/31/2029	17.43
1B366	936,901.66	05/31/2029	17.43
Totals	4,394,502.55		17.43

Interest Savings (over life of notes):

<u>Total Interest</u> <u>RUS @ 5.00%</u>	<u>Total Interest</u> <u>CoBank @ 3.15%</u>	<u>Total Savings</u>
\$2,071,310	\$737,597	\$1,333,714
CoBank Cash Patronage Refund:		\$150,209
CoBank Stock Patronage Refund:		<u>\$80,882</u>
Total Life Time Benefit:		<u>\$1,564,804</u>
Present Value of Benefit (discounted @ 5.00%)		<u>\$512,733</u>

There are no prepayment penalties arising from prepayment of RUS debt.

TAB 2

Kenergy Annual Summary

Scenario - 10 yr level P&I

Run Date	11/8/11
Loan Amount	\$4,394,503
CoBank Loan Interest Rate	3.15%
Lifetime Cash Flow Savings	\$1,564,804
Lifetime CoBank Patronage	\$231,091
Lifetime Interest Savings	\$1,333,714
Lifetime NPV Benefit *	\$512,733
Net Effective Interest Rate	2.29%

* NPV Discount Rate = 5.00%

	Combined RUS Loans						CoBank Loan				
	Principal Balance	Annual Principal Payment	Annual Interest Payment	Total Ann Cash Flow	Annual Cash Flow Differential	Annual Interest Expense Differential	Total Ann Cash Flow	Annual Interest Payment	Annual Principal Payment	Principal Balance	Patronage Refund
2011	\$4,394,503	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$4,394,503	\$0
2012	\$4,218,930	\$175,573	\$215,740	\$391,313	-\$126,421	\$81,026	\$517,734	\$134,714	\$383,098	\$4,011,404	-\$78
2013	\$4,033,754	\$185,176	\$206,735	\$391,911	-\$98,474	\$84,432	\$490,386	\$122,304	\$395,509	\$3,615,896	-\$27,427
2014	\$3,839,104	\$194,650	\$197,262	\$391,912	-\$101,004	\$87,770	\$492,915	\$109,491	\$408,321	\$3,207,575	-\$24,897
2015	\$3,634,495	\$204,609	\$187,303	\$391,912	-\$103,612	\$91,039	\$495,524	\$96,264	\$421,548	\$2,786,026	-\$22,288
2016	\$3,419,930	\$214,565	\$176,854	\$391,419	-\$106,799	\$94,246	\$498,218	\$82,608	\$435,204	\$2,350,822	-\$19,595
2017	\$3,193,875	\$226,054	\$165,858	\$391,913	-\$109,083	\$97,348	\$500,995	\$68,510	\$449,302	\$1,901,520	-\$16,817
2018	\$2,956,255	\$237,620	\$154,293	\$391,913	-\$111,956	\$100,328	\$503,869	\$53,955	\$463,857	\$1,437,662	-\$13,943
2019	\$2,706,478	\$249,777	\$142,136	\$391,913	-\$114,920	\$103,208	\$506,833	\$38,928	\$478,884	\$958,778	-\$10,979
2020	\$2,444,301	\$262,177	\$129,371	\$391,549	-\$118,344	\$106,956	\$509,893	\$23,415	\$494,397	\$464,381	-\$7,920
2021	\$2,168,332	\$275,969	\$115,944	\$391,914	-\$75,110	\$108,537	\$467,024	\$7,407	\$464,381	\$0	-\$4,764
2022	\$1,878,243	\$290,089	\$101,826	\$391,914	\$393,415	\$101,826	-\$1,501	\$0	\$0	\$0	-\$1,501
2023	\$1,573,314	\$304,930	\$86,985	\$391,915	\$391,915	\$86,985	\$0	\$0	\$0	\$0	\$0
2024	\$1,252,999	\$320,314	\$71,392	\$391,707	\$391,707	\$71,392	\$0	\$0	\$0	\$0	\$0
2025	\$916,081	\$336,919	\$54,997	\$391,916	\$391,916	\$54,997	\$0	\$0	\$0	\$0	\$0
2026	\$561,925	\$354,156	\$37,760	\$391,916	\$403,988	\$37,760	-\$12,052	\$0	\$0	\$0	-\$12,052
2027	\$203,449	\$358,475	\$19,641	\$378,116	\$388,814	\$19,641	-\$20,698	\$0	\$0	\$0	-\$20,698
2028	\$50,351	\$153,098	\$6,696	\$159,794	\$176,955	\$6,696	-\$17,161	\$0	\$0	\$0	-\$17,161
2029	\$0	\$50,351	\$516	\$50,867	\$64,380	\$516	-\$13,513	\$0	\$0	\$0	-\$13,513
2030	\$0	\$0	\$0	\$0	\$9,747	\$0	-\$9,747	\$0	\$0	\$0	-\$9,747
2031	\$0	\$0	\$0	\$0	\$5,863	\$0	-\$5,863	\$0	\$0	\$0	-\$5,863
2032	\$0	\$0	\$0	\$0	\$1,847	\$0	-\$1,847	\$0	\$0	\$0	-\$1,847
2033	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2034	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2035	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2036	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2037	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2038	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2039	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2040	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2041	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2042	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2043	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2044	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2045	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2046	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2047	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2048	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2049	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2050	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2051	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2052	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2053	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2054	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2055	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2056	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2057	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sum	\$4,394,503	\$2,071,310	\$6,465,813	\$1,564,804	\$1,333,714	\$1,333,714	\$4,901,009	\$737,597	\$4,394,503	\$25,128,566	\$231,091

Scenario - 10 yr level P&I

EXISTING RUS LOANS

Beginning Loan Balance \$ 4,394,502.55
 Final Payment Date 4/30/29
 Remaining Monthly Pmts 208
 Roll Forward Date 12/30/2011

Lifetime Interest \$2,071,310

Present Value of RUS Cash Flow \$4,394,503

NPV Benefit of Refi = \$512,733
 NPV Discount Rate = 5.00%

CoBANK REFINANCING LOAN

Beginning Loan Balance \$ 4,394,502.55
 Final Payment Date 12/31/21
 Remaining Monthly Pmts 120
 CoBANK Interest Rate 3.15%
 Legal Cost Estimate Included \$0

Lifetime Interest \$737,597

Present Value of CoBank Cash Flow \$3,881,769

Combined RUS Loans

CoBank Loan

Payment Number	Principal Balance	Principal Payment	Interest Payment	Total Cash Flow	Total Cash Flow	Interest Payment	Principal Payment	Principal Balance	Legal Cost/Pat. Refund
12/30/2011	\$4,394,503							\$4,394,503	
01/31/2012	4,380,505	\$13,997	\$18,310	\$32,308	\$43,151	11,691	\$31,460	4,363,042	\$0
02/29/2012	4,366,449	14,057	18,252	32,309	43,151	11,607	31,544	4,331,498	0
03/31/2012	4,351,136	15,313	18,194	33,506	43,073	11,523	31,628	4,299,870	-78
04/30/2012	4,336,955	14,181	18,130	32,311	43,151	11,439	31,712	4,268,158	0
05/31/2012	4,322,119	14,836	18,071	32,906	43,151	11,354	31,797	4,236,361	0
06/30/2012	4,307,814	14,305	18,009	32,313	43,151	11,270	31,881	4,204,480	0
07/31/2012	4,292,859	14,955	17,949	32,905	43,151	11,185	31,966	4,172,514	0
08/31/2012	4,278,430	14,429	17,887	32,316	43,151	11,100	32,051	4,140,463	0
09/30/2012	4,263,940	14,490	17,827	32,317	43,151	11,015	32,136	4,108,327	0
10/31/2012	4,248,804	15,136	17,766	32,902	43,151	10,929	32,222	4,076,105	0
11/30/2012	4,234,188	14,616	17,703	32,319	43,151	10,844	32,307	4,043,798	0
12/31/2012	4,218,930	15,258	17,642	32,900	43,151	10,758	32,393	4,011,404	0
01/31/2013	4,204,187	14,743	17,579	32,322	43,151	10,671	32,480	3,978,925	0
02/28/2013	4,189,382	14,805	17,517	32,323	43,151	10,585	32,566	3,946,359	0
03/31/2013	4,172,792	16,590	17,456	34,046	15,724	10,498	32,653	3,913,706	-27,427
04/30/2013	4,157,853	14,939	17,387	32,325	43,151	10,412	32,739	3,880,966	0
05/31/2013	4,142,281	15,572	17,324	32,896	43,151	10,324	32,827	3,848,140	0
06/30/2013	4,127,213	15,068	17,260	32,328	43,151	10,237	32,914	3,815,226	0
07/31/2013	4,111,515	15,698	17,197	32,894	43,151	10,150	33,001	3,782,225	0
08/31/2013	4,096,316	15,199	17,131	32,330	43,151	10,062	33,089	3,749,135	0
09/30/2013	4,081,053	15,264	17,068	32,331	43,151	9,974	33,177	3,715,958	0
10/31/2013	4,065,165	15,887	17,004	32,892	43,151	9,885	33,266	3,682,692	0
11/30/2013	4,049,770	15,396	16,938	32,334	43,151	9,797	33,354	3,649,338	0
12/31/2013	4,033,754	16,016	16,874	32,890	43,151	9,708	33,443	3,615,896	0
01/31/2014	4,018,225	15,529	16,807	32,336	43,151	9,619	33,532	3,582,364	0
02/28/2014	4,002,629	15,595	16,743	32,338	43,151	9,530	33,621	3,548,743	0
03/31/2014	3,985,323	17,306	16,678	33,984	18,254	9,441	33,710	3,515,032	-24,897
04/30/2014	3,969,588	15,735	16,606	32,340	43,151	9,351	33,800	3,481,232	0
05/31/2014	3,953,243	16,345	16,540	32,885	43,151	9,261	33,890	3,447,342	0
06/30/2014	3,937,372	15,871	16,472	32,343	43,151	9,171	33,980	3,413,362	0
07/31/2014	3,920,894	16,478	16,406	32,884	43,151	9,080	34,071	3,379,292	0
08/31/2014	3,904,886	16,008	16,337	32,346	43,151	8,990	34,161	3,345,131	0
09/30/2014	3,888,809	16,076	16,270	32,347	43,151	8,899	34,252	3,310,878	0
10/31/2014	3,872,132	16,677	16,203	32,881	43,151	8,808	34,343	3,276,535	0
11/30/2014	3,855,916	16,216	16,134	32,349	43,151	8,716	34,435	3,242,101	0
12/31/2014	3,839,104	16,813	16,066	32,879	43,151	8,625	34,526	3,207,575	0
01/31/2015	3,822,748	16,356	15,996	32,352	43,151	8,533	34,618	3,172,957	0
02/28/2015	3,806,323	16,425	15,928	32,353	43,151	8,441	34,710	3,138,246	0
03/31/2015	3,788,263	18,059	15,860	33,919	20,863	8,349	34,802	3,103,444	-22,288
04/30/2015	3,771,692	16,572	15,784	32,356	43,151	8,256	34,895	3,068,549	0
05/31/2015	3,754,533	17,159	15,715	32,874	43,151	8,163	34,988	3,033,561	0
06/30/2015	3,737,818	16,715	15,644	32,359	43,151	8,070	35,081	2,998,480	0
07/31/2015	3,720,520	17,298	15,574	32,872	43,151	7,977	35,174	2,963,306	0
08/31/2015	3,703,661	16,859	15,502	32,362	43,151	7,883	35,268	2,928,038	0
09/30/2015	3,686,730	16,931	15,432	32,363	43,151	7,789	35,362	2,892,677	0
10/31/2015	3,669,222	17,508	15,361	32,869	43,151	7,695	35,456	2,857,221	0
11/30/2015	3,652,145	17,077	15,288	32,366	43,151	7,601	35,550	2,821,671	0
12/31/2015	3,634,495	17,650	15,217	32,867	43,151	7,506	35,645	2,786,026	0
01/31/2016	3,617,270	17,225	15,144	32,368	43,151	7,412	35,739	2,750,287	0
02/29/2016	3,599,972	17,298	15,072	32,370	43,151	7,317	35,835	2,714,452	0
03/31/2016	3,581,615	18,358	15,000	33,357	23,556	7,221	35,930	2,678,522	-19,595
04/30/2016	3,564,165	17,449	14,923	32,373	43,151	7,126	36,025	2,642,497	0
05/31/2016	3,546,154	18,012	14,851	32,862	43,151	7,030	36,121	2,606,376	0
06/30/2016	3,528,554	17,600	14,776	32,375	43,151	6,934	36,217	2,570,158	0
07/31/2016	3,510,396	18,158	14,702	32,860	43,151	6,837	36,314	2,533,845	0
08/31/2016	3,492,645	17,752	14,627	32,378	43,151	6,741	36,410	2,497,434	0
09/30/2016	3,474,817	17,827	14,553	32,380	43,151	6,644	36,507	2,460,927	0
10/31/2016	3,456,439	18,379	14,478	32,857	43,151	6,547	36,604	2,424,323	0
11/30/2016	3,438,458	17,981	14,402	32,383	43,151	6,449	36,702	2,387,621	0

12/31/2016	60	3,419,930	18,528	14,327	32,855	43,151	6,352	36,799	2,350,822	0
01/31/2017	61	3,401,794	18,136	14,250	32,386	43,151	6,254	36,897	2,313,925	0
02/28/2017	62	3,383,581	18,213	14,174	32,387	43,151	6,156	36,995	2,276,929	0
03/31/2017	63	3,363,900	19,681	14,098	33,779	26,334	6,057	37,094	2,239,836	-16,817
04/30/2017	64	3,345,527	18,374	14,016	32,390	43,151	5,959	37,192	2,202,643	0
05/31/2017	65	3,326,617	18,910	13,940	32,850	43,151	5,860	37,291	2,165,352	0
06/30/2017	66	3,308,084	18,532	13,861	32,393	43,151	5,760	37,391	2,127,961	0
07/31/2017	67	3,289,021	19,064	13,784	32,848	43,151	5,661	37,490	2,090,471	0
08/31/2017	68	3,270,329	18,692	13,704	32,396	43,151	5,561	37,590	2,052,881	0
09/30/2017	69	3,251,558	18,771	13,626	32,397	43,151	5,461	37,690	2,015,192	0
10/31/2017	70	3,232,261	19,296	13,548	32,844	43,151	5,361	37,790	1,977,401	0
11/30/2017	71	3,213,329	18,933	13,468	32,401	43,151	5,260	37,891	1,939,511	0
12/31/2017	72	3,193,875	19,453	13,389	32,842	43,151	5,160	37,991	1,901,520	0
01/31/2018	73	3,174,780	19,096	13,308	32,404	43,151	5,059	38,092	1,863,427	0
02/28/2018	74	3,155,603	19,177	13,228	32,405	43,151	4,957	38,194	1,825,233	0
03/31/2018	75	3,135,047	20,555	13,148	33,703	29,208	4,856	38,295	1,786,938	-13,943
04/30/2018	76	3,115,702	19,346	13,063	32,408	43,151	4,754	38,397	1,748,541	0
05/31/2018	77	3,095,847	19,855	12,982	32,837	43,151	4,652	38,499	1,710,041	0
06/30/2018	78	3,076,335	19,512	12,899	32,411	43,151	4,549	38,602	1,671,439	0
07/31/2018	79	3,056,319	20,016	12,818	32,834	43,151	4,446	38,705	1,632,735	0
08/31/2018	80	3,036,639	19,680	12,735	32,415	43,151	4,344	38,808	1,593,927	0
09/30/2018	81	3,016,875	19,764	12,653	32,416	43,151	4,240	38,911	1,555,016	0
10/31/2018	82	2,996,615	20,261	12,570	32,831	43,151	4,137	39,014	1,516,002	0
11/30/2018	83	2,976,681	19,933	12,486	32,419	43,151	4,033	39,118	1,476,884	0
12/31/2018	84	2,956,255	20,426	12,403	32,829	43,151	3,929	39,222	1,437,662	0
01/31/2019	85	2,936,151	20,105	12,318	32,423	43,151	3,825	39,326	1,398,336	0
02/28/2019	86	2,915,960	20,190	12,234	32,424	43,151	3,720	39,431	1,358,905	0
03/31/2019	87	2,894,486	21,474	12,150	33,624	32,172	3,615	39,536	1,319,369	-10,979
04/30/2019	88	2,874,119	20,367	12,060	32,428	43,151	3,510	39,641	1,279,727	0
05/31/2019	89	2,853,271	20,847	11,975	32,823	43,151	3,404	39,747	1,239,981	0
06/30/2019	90	2,832,729	20,542	11,889	32,431	43,151	3,299	39,852	1,200,128	0
07/31/2019	91	2,811,712	21,017	11,803	32,821	43,151	3,193	39,958	1,160,170	0
08/31/2019	92	2,790,993	20,719	11,715	32,434	43,151	3,086	40,065	1,120,105	0
09/30/2019	93	2,770,187	20,807	11,629	32,436	43,151	2,980	40,171	1,079,934	0
10/31/2019	94	2,748,912	21,275	11,542	32,817	43,151	2,873	40,278	1,039,656	0
11/30/2019	95	2,727,927	20,985	11,454	32,439	43,151	2,766	40,385	999,271	0
12/31/2019	96	2,706,478	21,448	11,366	32,815	43,151	2,658	40,493	958,778	0
01/31/2020	97	2,685,313	21,166	11,277	32,443	43,151	2,551	40,600	918,178	0
02/29/2020	98	2,664,058	21,255	11,189	32,444	43,151	2,443	40,708	877,469	0
03/31/2020	99	2,641,982	22,076	11,100	33,176	35,231	2,334	40,817	836,653	-7,920
04/30/2020	100	2,620,542	21,439	11,008	32,448	43,151	2,226	40,925	795,727	0
05/31/2020	101	2,598,653	21,889	10,919	32,808	43,151	2,117	41,034	754,693	0
06/30/2020	102	2,577,030	21,623	10,828	32,451	43,151	2,008	41,143	713,550	0
07/31/2020	103	2,554,961	22,068	10,738	32,806	43,151	1,898	41,253	672,297	0
08/31/2020	104	2,533,152	21,809	10,646	32,455	43,151	1,788	41,363	630,934	0
09/30/2020	105	2,511,251	21,902	10,555	32,456	43,151	1,678	41,473	589,462	0
10/31/2020	106	2,488,912	22,339	10,464	32,802	43,151	1,568	41,583	547,879	0
11/30/2020	107	2,466,823	22,089	10,370	32,460	43,151	1,458	41,694	506,185	0
12/31/2020	108	2,444,301	22,521	10,278	32,800	43,151	1,347	41,804	464,381	0
01/31/2021	109	2,422,023	22,279	10,185	32,463	43,151	1,235	41,916	422,465	0
02/28/2021	110	2,399,649	22,374	10,092	32,465	43,151	1,124	42,027	380,438	0
03/31/2021	111	2,376,194	23,455	9,999	33,453	38,387	1,012	42,139	338,299	-4,764
04/30/2021	112	2,353,626	22,568	9,901	32,469	43,151	900	42,251	296,048	0
05/31/2021	113	2,330,640	22,986	9,807	32,793	43,151	788	42,363	253,685	0
06/30/2021	114	2,307,878	22,762	9,711	32,473	43,151	675	42,476	211,209	0
07/31/2021	115	2,284,704	23,174	9,616	32,791	43,151	562	42,589	168,619	0
08/31/2021	116	2,261,747	22,957	9,520	32,476	43,151	449	42,702	125,917	0
09/30/2021	117	2,238,693	23,054	9,424	32,478	43,151	335	42,816	83,101	0
10/31/2021	118	2,215,234	23,459	9,328	32,787	43,151	221	42,930	40,171	0
11/30/2021	119	2,191,983	23,252	9,230	32,482	40,278	107	40,171	0	0
12/31/2021	120	2,168,332	23,651	9,133	32,784	0	0	0	0	0
01/31/2022	121	2,144,881	23,451	9,035	32,486	0	0	0	0	0
02/28/2022	122	2,121,331	23,550	8,937	32,487	0	0	0	0	0
03/31/2022	123	2,096,809	24,522	8,839	33,361	-1,501	0	0	0	-1,501
04/30/2022	124	2,073,054	23,755	8,737	32,491	0	0	0	0	0
05/31/2022	125	2,048,915	24,139	8,638	32,777	0	0	0	0	0
06/30/2022	126	2,024,957	23,958	8,537	32,495	0	0	0	0	0
07/31/2022	127	2,000,620	24,337	8,437	32,774	0	0	0	0	0
08/31/2022	128	1,976,456	24,163	8,336	32,499	0	0	0	0	0
09/30/2022	129	1,952,191	24,266	8,235	32,501	0	0	0	0	0
10/31/2022	130	1,927,555	24,636	8,134	32,770	0	0	0	0	0
11/30/2022	131	1,903,081	24,473	8,031	32,505	0	0	0	0	0
12/31/2022	132	1,878,243	24,838	7,930	32,767	0	0	0	0	0
01/31/2023	133	1,853,561	24,683	7,826	32,509	0	0	0	0	0
02/28/2023	134	1,828,773	24,788	7,723	32,511	0	0	0	0	0
03/31/2023	135	1,803,129	25,644	7,620	33,264	0	0	0	0	0
04/30/2023	136	1,778,127	25,002	7,513	32,515	0	0	0	0	0
05/31/2023	137	1,752,776	25,351	7,409	32,760	0	0	0	0	0
06/30/2023	138	1,727,560	25,216	7,303	32,519	0	0	0	0	0
07/31/2023	139	1,702,001	25,559	7,198	32,757	0	0	0	0	0
08/31/2023	140	1,676,570	25,431	7,092	32,523	0	0	0	0	0
09/30/2023	141	1,651,031	25,539	6,986	32,525	0	0	0	0	0
10/31/2023	142	1,625,157	25,874	6,879	32,753	0	0	0	0	0
11/30/2023	143	1,599,399	25,757	6,771	32,529	0	0	0	0	0
12/31/2023	144	1,573,314	26,086	6,664	32,750	0	0	0	0	0
01/31/2024	145	1,547,336	25,978	6,555	32,533	0	0	0	0	0

02/29/2024	146	1,521,248	26,088	6,447	32,535	0	0	0	0	0
03/31/2024	147	1,494,632	26,616	6,339	32,954	0	0	0	0	0
04/30/2024	148	1,468,321	26,312	6,228	32,539	0	0	0	0	0
05/31/2024	149	1,441,696	26,625	6,118	32,743	0	0	0	0	0
06/30/2024	150	1,415,160	26,537	6,007	32,544	0	0	0	0	0
07/31/2024	151	1,388,316	26,843	5,896	32,740	0	0	0	0	0
08/31/2024	152	1,361,553	26,763	5,785	32,548	0	0	0	0	0
09/30/2024	153	1,334,676	26,877	5,673	32,550	0	0	0	0	0
10/31/2024	154	1,307,502	27,174	5,561	32,735	0	0	0	0	0
11/30/2024	155	1,280,396	27,106	5,448	32,554	0	0	0	0	0
12/31/2024	156	1,252,999	27,397	5,335	32,732	0	0	0	0	0
01/31/2025	157	1,225,661	27,338	5,221	32,559	0	0	0	0	0
02/28/2025	158	1,198,207	27,454	5,107	32,561	0	0	0	0	0
03/31/2025	159	1,170,144	28,063	4,993	33,055	0	0	0	0	0
04/30/2025	160	1,142,455	27,690	4,876	32,565	0	0	0	0	0
05/31/2025	161	1,114,491	27,964	4,760	32,724	0	0	0	0	0
06/30/2025	162	1,086,565	27,926	4,644	32,570	0	0	0	0	0
07/31/2025	163	1,058,371	28,193	4,527	32,721	0	0	0	0	0
08/31/2025	164	1,030,207	28,164	4,410	32,574	0	0	0	0	0
09/30/2025	165	1,001,923	28,284	4,293	32,576	0	0	0	0	0
10/31/2025	166	973,382	28,541	4,175	32,716	0	0	0	0	0
11/30/2025	167	944,856	28,525	4,056	32,581	0	0	0	0	0
12/31/2025	168	916,081	28,776	3,937	32,713	0	0	0	0	0
01/31/2026	169	887,312	28,769	3,817	32,586	0	0	0	0	0
02/28/2026	170	858,421	28,891	3,697	32,588	0	0	0	0	0
03/31/2026	171	829,055	29,366	3,577	32,943	-12,052	0	0	0	-12,052
04/30/2026	172	799,917	29,138	3,454	32,593	0	0	0	0	0
05/31/2026	173	770,545	29,371	3,333	32,704	0	0	0	0	0
06/30/2026	174	741,159	29,387	3,211	32,597	0	0	0	0	0
07/31/2026	175	711,546	29,613	3,088	32,701	0	0	0	0	0
08/31/2026	176	681,908	29,637	2,965	32,602	0	0	0	0	0
09/30/2026	177	652,145	29,763	2,841	32,604	0	0	0	0	0
10/31/2026	178	622,167	29,979	2,717	32,696	0	0	0	0	0
11/30/2026	179	592,150	30,017	2,592	32,609	0	0	0	0	0
12/31/2026	180	561,925	30,225	2,467	32,693	0	0	0	0	0
01/31/2027	181	531,652	30,273	2,341	32,614	0	0	0	0	0
02/28/2027	182	501,251	30,401	2,215	32,616	0	0	0	0	0
03/31/2027	183	470,515	30,736	2,089	32,825	-20,698	0	0	0	-20,698
04/30/2027	184	439,854	30,661	1,960	32,621	0	0	0	0	0
05/31/2027	185	409,003	30,851	1,833	32,684	0	0	0	0	0
06/30/2027	186	378,081	30,922	1,704	32,626	0	0	0	0	0
07/31/2027	187	346,976	31,105	1,575	32,680	0	0	0	0	0
08/31/2027	188	315,790	31,185	1,446	32,631	0	0	0	0	0
09/30/2027	189	284,473	31,318	1,316	32,634	0	0	0	0	0
10/31/2027	190	252,985	31,488	1,185	32,673	0	0	0	0	0
11/30/2027	191	221,403	31,582	1,054	32,636	0	0	0	0	0
12/31/2027	192	203,449	17,953	923	18,876	0	0	0	0	0
01/31/2028	193	190,996	12,454	848	13,302	0	0	0	0	0
02/29/2028	194	178,489	12,507	796	13,303	0	0	0	0	0
03/31/2028	195	165,880	12,609	744	13,352	-17,161	0	0	0	-17,161
04/30/2028	196	153,267	12,613	691	13,305	0	0	0	0	0
05/31/2028	197	140,579	12,688	639	13,327	0	0	0	0	0
06/30/2028	198	127,858	12,721	586	13,307	0	0	0	0	0
07/31/2028	199	115,065	12,792	533	13,325	0	0	0	0	0
08/31/2028	200	102,236	12,829	479	13,309	0	0	0	0	0
09/30/2028	201	89,352	12,884	426	13,310	0	0	0	0	0
10/31/2028	202	76,402	12,951	372	13,323	0	0	0	0	0
11/30/2028	203	63,408	12,993	318	13,312	0	0	0	0	0
12/31/2028	204	50,351	13,057	264	13,321	0	0	0	0	0
01/31/2029	205	37,247	13,104	210	13,314	0	0	0	0	0
02/28/2029	206	24,087	13,160	155	13,315	0	0	0	0	0
03/31/2029	207	10,862	13,225	100	13,326	-13,513	0	0	0	-13,513
04/30/2029	208	1,273	9,589	45	9,634	0	0	0	0	0
05/31/2029	209	0	1,273	5	1,278	0	0	0	0	0
06/30/2029	210	0	0	0	0	0	0	0	0	0
07/31/2029	211	0	0	0	0	0	0	0	0	0
08/31/2029	212	0	0	0	0	0	0	0	0	0
09/30/2029	213	0	0	0	0	0	0	0	0	0
10/31/2029	214	0	0	0	0	0	0	0	0	0
11/30/2029	215	0	0	0	0	0	0	0	0	0
12/31/2029	216	0	0	0	0	0	0	0	0	0
01/31/2030	217	0	0	0	0	0	0	0	0	0
02/28/2030	218	0	0	0	0	0	0	0	0	0
03/31/2030	219	0	0	0	0	-9,747	0	0	0	-9,747
04/30/2030	220	0	0	0	0	0	0	0	0	0
05/31/2030	221	0	0	0	0	0	0	0	0	0
06/30/2030	222	0	0	0	0	0	0	0	0	0
07/31/2030	223	0	0	0	0	0	0	0	0	0
08/31/2030	224	0	0	0	0	0	0	0	0	0
09/30/2030	225	0	0	0	0	0	0	0	0	0
10/31/2030	226	0	0	0	0	0	0	0	0	0
11/30/2030	227	0	0	0	0	0	0	0	0	0
12/31/2030	228	0	0	0	0	0	0	0	0	0
01/31/2031	229	0	0	0	0	0	0	0	0	0
02/28/2031	230	0	0	0	0	0	0	0	0	0
03/31/2031	231	0	0	0	0	-5,863	0	0	0	-5,863

TAB 3

Borrower: Kenergy													
Quote Date		November 8, 2011		Schedule:		10 yr level P&I							
Origination Date		December 30, 2011		Effective Interest Rate:		2.29%							
Year	Principal Advance	Principal Payments	Interest Payments	Capital Purchases	Cash Patronage	Capital Retired in Cash	Net Cash Flow	Patronage Paid as Capital	Capital Balance	End of Period Loan Balance	1 Year Avg Loan Balance	10 Year Avg Loan Balance	Target Equity
	A	B	C	D	E	F	G	H	I	J	K	L	M
2011	4,394,503	0	0	0	0	0	4,394,503	42	42	4,394,503	12,040	1,204	96
2012	0	383,098	134,714	0	78	0	-517,734	14,768	14,810	4,011,404	4,219,491	423,153	33,852
2013	0	395,509	122,304	0	27,427	0	-490,386	13,406	28,216	3,615,896	3,830,317	806,185	64,495
2014	0	408,321	109,491	0	24,897	0	-492,915	12,001	40,218	3,207,575	3,428,943	1,149,079	91,926
2015	0	421,548	96,264	0	22,288	0	-495,524	10,551	50,769	2,786,026	3,014,565	1,450,536	116,043
2016	0	435,204	82,608	0	19,595	0	-498,218	9,055	59,824	2,350,822	2,587,211	1,709,257	136,741
2017	0	449,302	68,510	0	16,817	0	-500,995	7,508	67,332	1,901,520	2,145,105	1,923,767	153,901
2018	0	463,857	53,955	0	13,943	0	-503,869	5,912	73,244	1,437,662	1,689,139	2,092,681	167,414
2019	0	478,884	38,928	0	10,979	0	-506,833	4,264	77,508	958,778	1,218,401	2,214,521	177,162
2020	0	494,397	23,415	0	7,920	0	-509,893	2,565	80,073	464,381	732,922	2,287,813	183,025
2021	0	464,381	7,407	0	4,764	0	-467,024	808	80,882	0	230,928	2,309,702	184,776
2022	0	0	0	0	1,501	0	1,501	0	80,882	0	0	1,887,753	151,020
2023	0	0	0	0	0	0	0	0	80,882	0	0	1,504,721	120,378
2024	0	0	0	0	0	0	0	0	80,882	0	0	1,161,827	92,946
2025	0	0	0	0	0	0	0	0	80,882	0	0	860,371	68,830
2026	0	0	0	0	0	12,052	12,052	0	68,830	0	0	601,650	48,132
2027	0	0	0	0	0	20,698	20,698	0	48,132	0	0	387,139	30,971
2028	0	0	0	0	0	17,161	17,161	0	30,971	0	0	218,225	17,458
2029	0	0	0	0	0	13,513	13,513	0	17,458	0	0	96,385	7,711
2030	0	0	0	0	0	9,747	9,747	0	7,711	0	0	23,093	1,847
2031	0	0	0	0	0	5,863	5,863	0	1,847	0	0	0	0
2032	0	0	0	0	0	1,847	1,847	0	0	0	0	0	0
TOTAL	\$4,394,503	\$4,394,503	\$737,597	\$0	\$150,209	\$80,882		\$80,882					



Rural America's Cooperative Bank

Projection of Cash Flows and Effective Interest Rates

The following provides a column-by-column description of CoBank's Loan Rate Model. The Loan Rate Model provides projections of cash flows and effective interest rates based upon the assumptions given for each printout.

- Column C reflects the principal advances on the loan.
- Column E reflects the periodic principal payments.
- Column F reflects the periodic interest payments.
- Column H shows the capital purchases required based upon the assumptions. A new borrower must purchase \$1,000 capital.
- Column I reflects the cash patronage. Total patronage is calculated as a percentage of the one year average loan balance. CoBank is required by statute to pay a minimum of 20 percent patronage capital allocated to a borrower during each year in cash.
- Column J shows capital retirements in cash.
- Column K reflects the net cash flow for the borrower throughout the term of the loan.
- Column L reflects the allocated patronage used to purchase additional capital in CoBank. This represents the balance of the capital allocated each year which was not paid in cash.
- Column M shows the balance of purchased and allocated capital on a cumulative basis each year.
- Column N reflects the loan balance at the end of the year.
- Column O represents the one year average loan balance which is the basis for annual patronage.
- Column P represents average ten year loan balance which is the basis for determining the capital target for the borrower.
- Column Q shows the target equity for the borrower based upon the ten year average loan balance.

TAB 4

Refinancing Process

A refinancing of secured debt is permitted under the RUS Mortgage. Included below is an excerpt from the RUS Mortgage providing for such refinancing. CoBank can provide electronic copies of all CoBank documents.

The specific steps for refinancing RUS notes are:

1. Provide CoBank with your RUS form 613 (Quarterly RUS Statement of Loan Account) in order to analyze notes beneficial to refinance.
2. CoBank completes due diligence and provides loan commitment.
3. Provide notice to RUS of prepayment, designating notes to be prepaid and request for payoff memorandum. This notice must be at least four business days before the desired pay off date.
 - RUS Payoff Information: Direct Loan and Grant Branch (DLGB)
 - Telephone: 314-457-4049 or 314-457-4083
 - Fax: 314-457-4283 or 314-457-4284
 - Email: dlgb@stl.rural.usda.gov
 - Cash Transmittal Questions: Cash Management Branch (CMB)
 - Telephone: 314-457-4021
4. Obtain and forward to CoBank, RUS prepared spreadsheet setting forth principal and interest to be paid off.
5. Apply and obtain any required regulatory approval as defined by applicable state.
6. Provide borrowing resolution and return all executed loan documents to CoBank.
7. Borrower notifies CoBank as to whether prior period amounts due will be delivered to CoBank or if it will be drawn from borrower's CoBank line of credit for final settlement of RUS notes.
8. Principal balance and interest wired by CoBank to RUS paying off notes.
9. Supplemental mortgages filing complete and opinion of counsel delivered to CoBank.

Excerpt from Article II of the RUS Mortgage:

SECTION 2.02. Refunding or Refinancing Notes: The Mortgagor shall also have the right without the consent of any Mortgagee or any Noteholder to issue Additional Notes for the purpose of refunding or refinancing any Notes so long as the total amount of outstanding indebtedness evidenced by such Additional Note or Notes is not greater than 105% of the then outstanding principal balance of the Note or Notes being refunded or refinanced. PROVIDED, HOWEVER, that the Mortgagor may not exercise its rights under this Section if an Event of Default has occurred and is continuing, or any event which with the giving of notice or lapse of time or both would become an Event of Default has occurred and is continuing. On or before the first advance of proceeds from Notes issued under this section, the Mortgagor shall notify each Mortgagee of the refunding or refinancing. Additional Notes issued pursuant to this Section [2.02] will thereupon be secured equally and ratably with the Notes.

**“RESTATED MORTGAGE AND
SECURITY AGREEMENT – JULY 1, 2003”
PROVIDED IN CASE NO. 2010-00201**