

CASE

NUMBER:

99.252

INDEX FOR CASE: 99-252

NOLIN R.E.C.C.

Financing

AMOUNT OF \$13,000,000

IN THE MATTER OF THE APPLICATION OF THE NOLIN RUAL ELECTRIC
COOPERATIVE CORPORATION FOR AN ORDER PURSUANT TO KRS 278.300
AND 807 KAR 5:001, SECTIONS 11 AND RELATED SECTIONS
AUTHORIZING THE COOPERATIVE TO OBTAIN A LINE OF CREDIT LOAN
IN THE AMOUNT OF \$13,000,000.00 FROM THE NATIONAL RURAL
UTILITIES COOPERATIVE FINANCE CORPORATION

SEQ NBR	ENTRY DATE	REMARKS
0001	06/14/99	Application.
0002	06/22/99	Acknowledgement letter.
0003	07/01/99	Def. letter, info due 7/16
M0001	07/15/99	JOHN SCOTT NOLIN RECC-RESPONSE TO REQ FOR ADDITIONAL INFO
0004	07/19/99	Deficiency cured letter.
0005	07/29/99	Data Request Order; response due 8/12
M0002	08/11/99	JOHN SCOTT NOLIN RECC-MOTION FOR EXTENSION OF TIME TO RESPOND TO INFORMATION
0006	08/13/99	Order granting motion for extension of time; info now due 8/27
M0003	08/27/99	O.V. SPARKS NOLIN RECC-RESPONSE TO ORDER OF JULY 29,99
0007	09/07/99	Order entered; extends 60 days financing
0008	11/16/99	FINAL ORDER; AUTHORIZES FINANCING



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

CERTIFICATE OF SERVICE

RE: Case No. 99-252
NOLIN R.E.C.C.

I, Stephanie Bell, Secretary of the Public Service Commission, hereby certify that the enclosed attested copy of the Commission's Order in the above case was served upon the following by U.S. Mail on November 16, 1999.

Parties of Record:

Michael L. Miller
General Manager
Nolin R.E.C.C.
411 Ring Road
Elizabethtown, KY. 42701 8701

Honorable John J. Scott
Attorney for Nolin R.E.C.C.
Whitlow & Scott
108 East Poplar Street
P. O. Box 389
Elizabethtown, KY. 42702 0389

Stephan O Bell

Secretary of the Commission

SB/sa
Enclosure

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF NOLIN RURAL ELECTRIC)
COOPERATIVE CORPORATION FOR AN ORDER)
PURSUANT TO KRS 278.300 AND 807 KAR 5:001,)
SECTION 11 AND RELATED SECTIONS)
AUTHORIZING THE COOPERATIVE TO OBTAIN A) CASE NO. 99-252
LINE OF CREDIT LOAN IN THE AMOUNT OF)
\$13,000,000.00 FROM THE NATIONAL RURAL)
UTILITIES COOPERATIVE FINANCE)
CORPORATION)

O R D E R

Nolin Rural Electric Cooperative Corporation ("Nolin") filed its application on July 15, 1999 for approval to issue indebtedness to the National Rural Utilities Cooperative Finance Corporation ("CFC") and to execute a note in the amount of \$13,000,000 according to CFC's PowerVision™ financing program. Nolin stated in its application that the proceeds of this loan will be used to reimburse general funds for operating expenditures and construction costs until long-term loan funds become available.¹

Nolin filed a copy of the correspondence from CFC approving the PowerVision™ loan, which was dated May 4, 1999. Nolin submitted its application to the Commission for approval of the financing on June 14, 1999. The application did not initially satisfy the minimum filing requirements, but the initial filing deficiencies were cured and the application was considered filed on July 15, 1999.

¹ Application, at 3.

The PowerVision™ financing is a shelf loan agreement and promissory note, whereby Nolin has up to five years to withdraw any funds which will then be payable at terms up to 35 years from the date of the advance. Each advance will bear interest at CFC's standard fixed rate or variable rate at the time of advance, depending on Nolin's selection at that time. PowerVision™ financing is available only to qualifying rural electric cooperative corporations that are concurrent borrowers with CFC and the Rural Utilities Service ("RUS").

In conjunction with Case No. 98-588,² an informal conference was held at the Commission's offices on August 24, 1999, with CFC representatives and other interested parties.³ The conference provided CFC's representatives an opportunity to explain this new financing alternative, PowerVision™, and answer questions of Commission Staff and others in attendance.

The primary difference between CFC's new PowerVision™ financing program, and conventional CFC, or conventional RUS and CFC concurrent financing programs, is that PowerVision™ is a shelf loan, not referenced to a previously approved work plan. Under conventional financing programs, Nolin would establish a construction work plan for a specified period, usually two or three years, then obtain Commission approval for the work plan and the related financing. According to the PowerVision™ financing program, the only description of assets that may be acquired or constructed is that they

² Case No. 98-588, The Application of Big Sandy Rural Electric Cooperative Corporation for Authority to Issue Indebtedness.

³ While Nolin references this informal conference in its response to the Commission's July 29, 1999 Order, representatives of Nolin were not in attendance.

are "eligible property additions."⁴ Eligible property additions are defined as the cooperative's utility system. The electric system is defined as property used for "electric production, transmission, distribution, conservation, load management, general plant and other related facilities" that are acceptable to RUS.⁵ PowerVisionTM withdrawals may not be used to finance operating costs.⁶ Although this is the same as for conventional financing, no construction work plan has to be formalized and approved in connection with the financing. The PowerVisionTM credit facility does not preclude Nolin from obtaining conventional RUS and CFC financing.

Although PowerVisionTM is a shelf loan, it is not a line of credit. Generally, a CFC line of credit is unsecured, has a one-year term limitation and bears interest according to CFC short-term, line of credit rate schedules. A line of credit withdrawal may be made, repaid, then withdrawn again. This differs from PowerVisionTM in that when a PowerVisionTM withdrawal is made, a note and amortization period is established for that withdrawal and the shelf loan amount is reduced by the withdrawal. In addition, penalties are imposed if PowerVisionTM funds are repaid early.

The sample PowerVisionTM loan agreement filed in response to the Commission's July 29, 1999 Order includes the same requirements as the RUS

⁴ See Response to the Commission's July 29, 1999 Order, Exhibit C, page 27 of 28, Schedule 1, Item 1. This schedule to the loan agreement states that "eligible property additions" is defined in 7 CFR, Part 1718, Subpart B, "Mortgage for Distribution Borrowers."

⁵ See Response to the Commission's July 29, 1999 Order, Exhibit 8, page 7 of 49, the "Restated Mortgage and Security Agreement" between Nolin, RUS, and CFC, dated as of May 1, 1997.

⁶ Id., at pages 11 and 12 of 49.

mortgage agreement for issuing notes to other lenders. The loan agreement also permits a lien accommodation without the prior consent of RUS or CFC if certain financial criteria are met.⁷ One of the criteria is that a Times Interest Earned Ratio ("TIER") of not less than 1.5X and a Debt Service Coverage of 1.25X, must be achieved for the two calendar years immediately preceding the issuance of such additional notes. Other criteria include requirements that the ratio of Net Utility Plant to Total Long-Term Debt cannot be less than 1.0; Equity must be greater than or equal to 27 percent of Total Assets on a pro forma basis; and the additional notes when added to all outstanding principal for loans not related to the electric system cannot exceed 30 percent of total Equity on a pro forma basis.

Once the PowerVisionTM financing is approved by CFC, the borrower must meet the financial criteria on an ongoing basis to be eligible to withdraw funds under the program. Based on Nolin's financial condition at the time of its application, it appears that Nolin satisfies all the PowerVisionTM financing criteria. However, if the requisite financial criteria are not met at the time Nolin requests a withdrawal, a waiver can be requested.

Nolin has stated in its responses to the Commission's July 29, 1999 Order that it views the PowerVisionTM financing as a "bridge loan," which would be paid off once long-term financing from RUS had been approved.⁸ This interpretation of the PowerVisionTM financing program is not consistent with the documents filed by Nolin or

⁷ Id., at pages 15 and 16 of 49.

⁸ See Response to the Commission's July 29, 1999 Order, Items 1(f), 2(a), and 6(a).

the information provided by CFC at the August 24, 1999 informal conference in Case No. 98-588. Nolin was not present at that informal conference but the information provided by CFC indicates that the PowerVision™ loan may be used as a substitute for the RUS/CFC concurrent loan. If PowerVision™ loan funds are withdrawn to replace RUS or CFC loan funds, those loan funds are no longer available to Nolin. The evidence in this record will not support finding that a PowerVision™ loan advance is a "bridge loan" or that the proceeds may be used to reimburse general funds for operating expenditures. However, Nolin's misunderstanding on these points is not a reason to deny it the opportunity to benefit from the perceived advantages of the PowerVision™ program.

Based on the evidence of record and being sufficiently advised, the Commission finds that the concept of shelf financing is reasonable, and financings of this nature have been approved for other utilities. However, in all prior instances of shelf financing, the specific uses of the proceeds were known at the time the financing was approved. This is not true for PowerVision™. Here, the specific uses will not be known until Nolin files a withdrawal request with CFC.

The potential exists, under the provisions of the restated mortgage and security agreement, that Nolin could use a portion of the proceeds to fund non-electric system assets such as natural gas, telecommunications, and water/wastewater projects. While these may be acceptable functions of the cooperative, the Commission must consider whether the investment will adversely affect the financial condition of the utility in approving long-term financing. Thus, there is a need to monitor the actual purposes

and uses of the loan funds. Consequently, Nolin should provide certain information related to the request to withdraw funds.

At the time of requesting a withdrawal, Nolin must meet the previously discussed RUS mortgage requirements to permit CFC a lien accommodation. The process of requesting a withdrawal under PowerVision™ requires two supporting documents: (1) an independent auditor's certificate attesting that Nolin complies with the financial covenants of the mortgage; and (2) a complete PowerVision™ "Requisition Form" with an attestation from Nolin's manager that it is in compliance with the loan agreement and that the funds will be used for "eligible property additions." These documents must be filed with both CFC and RUS.

In addition to the auditor's certificate and the PowerVision™ requisition form, CFC's analysts are provided detailed explanations of the property or construction to be financed with each PowerVision™ loan withdrawal. Any questions CFC has about the property or construction qualifying as "eligible property additions" are communicated to RUS for its approval. CFC has indicated that PowerVision™ withdrawals will be used primarily to fund the CFC portion of concurrent RUS and CFC financing programs. In these instances the Commission will already have approved the work plan, and the benefits of using PowerVision™ funding will result from reduced administrative burden and the ability to obtain these withdrawals prior to receipt of RUS funding. This may decrease the need to borrow higher cost short-term debt for interim financing pending the availability of RUS funds.

The Commission's concern is in instances when withdrawals are not referenced to an approved work plan. The reduced level of oversight into the purpose and use of

the financing in these circumstances necessitates the Commission to require a cooperative to explain why any particular construction project did not require a Certificate of Public Convenience and Necessity, and describe the property being constructed or replaced with the loan funds.

In summary, the Commission finds that:

1. The proposed PowerVision™ loan from CFC, if limited to financing of the cooperative's electric system assets, is for lawful objects within the corporate purposes of Nolin, is necessary and appropriate for and consistent with the proper performance by the utility of its service to the public and will not impair its ability to perform that service, and is reasonably necessary and appropriate for such purposes.
2. Nolin is capable of executing its notes as security for the loan as stated herein.
3. Within 10 days of the receipt of finalized PowerVision™ loan documents, Nolin should file a copy of said documents with the Commission for the case record.
4. In the event that Nolin does not meet the requisite financial criteria at the time it requests a withdrawal and a waiver is requested, Nolin shall notify the Commission within 10 days of its obtaining RUS and other noteholders' prior consents.
5. Nolin should file with the Commission a copy of the same documents to be submitted to CFC and RUS for a withdrawal of PowerVision™ funds. In addition, Nolin should include a statement to cross-reference all construction funded by the PowerVision™ withdrawals to the Commission case approving the work plan(s). If the financing is not related to a work plan, Nolin should describe the property being constructed or replaced, and explain why the property did not require a Certificate of

Public Convenience and Necessity. Nolin should not withdraw any PowerVision™ funds until at least 10 days after filing the loan withdrawal documents. If the Commission does not issue an Order questioning the purpose or use of the proceeds with that 10-day period, the withdrawal will be deemed approved.

6. At the time discussion is initiated with CFC regarding loan withdrawals, Nolin should inform the Commission's Financial Analysis Division of the plans regarding the Cooperative's intended loan fund withdrawals.

7. Nolin should select the interest rate program that will result in the net lowest cost of money to it over the term of the financing, bearing either a fixed or variable rate, as chosen by Nolin at the time each advance is drawn from CFC, subject to the provisions and terms of the loan agreement with respect to the renegotiations of the interest rate.

8. Upon receipt of the PowerVision™ withdrawal, Nolin should include in its next monthly report filed with the Commission, the amount and date of the withdrawal, the interest rate program selected, and the remaining amount of the PowerVision™ credit facility.

9. The proceeds from the proposed loans should be used only for the lawful purposes set out in Nolin's application and the documents supporting the specific fund withdrawals.

IT IS THEREFORE ORDERED that:

1. Nolin is authorized to issue indebtedness to CFC in the amount of \$13,000,000 for a shelf loan according to its PowerVision™ financing program, bearing either a fixed or variable interest rate, as chosen by Nolin at the time each advance is

drawn from CFC, subject to the provisions and terms of the loan agreement with respect to the renegotiation of the interest rate.

2. Nolin is authorized to execute its notes as security for the loan herein authorized.

3. Nolin shall comply will all matters set out in Findings No. 3 through 9 as if they were individually so ordered.

Nothing contained herein shall be deemed a warranty or finding of value of securities or financing authorized herein on the part of the Commonwealth of Kentucky or any agency thereof.

Done at Frankfort, Kentucky, this 16th day of November, 1999.

By the Commission

ATTEST:


Executive Director



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

September 7, 1999

Michael L. Miller
General Manager
Nolin R.E.C.C.
411 Ring Road
Elizabethtown, KY. 42701 8701

Honorable John J. Scott
Attorney at Law
Whitlow & Scott
108 East Poplar Street
P. O. Box 389
Elizabethtown, KY. 42702 0389

RE: Case No. 99-252

We enclose one attested copy of the Commission's Order in
the above case.

Sincerely,

A handwritten signature in cursive script that reads "Stephanie Bell".

Stephanie Bell
Secretary of the Commission

SB/sa
Enclosure

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF NOLIN RURAL ELECTRIC)
COOPERATIVE CORPORATION FOR AN ORDER)
PURSUANT TO KRS 278.300 AND 807 KAR 5:001,)
SECTION 11 AND RELATED SECTIONS AUTHORIZING) CASE NO.
THE COOPERATIVE TO OBTAIN A LINE OF CREDIT) 99-252
LOAN IN THE AMOUNT OF \$13,000,000.00 FROM THE)
NATIONAL RURAL UTILITIES COOPERATIVE)
FINANCE CORPORATION)

and

APPLICATION OF NOLIN RURAL ELECTRIC)
COOPERATIVE CORPORATION FOR AN ORDER)
PURSUANT TO KRS 278.300 AND 807 KAR 5:001,)
SECTION 11 AND RELATED SECTIONS AUTHORIZING) CASE NO.
THE COOPERATIVE TO OBTAIN A LOAN IN THE) 99-259
AMOUNT OF \$4,300,000.00 FROM THE NATIONAL)
RURAL UTILITIES COOPERATIVE FINANCE)
CORPORATION)

O R D E R

Nolin Rural Electric Cooperative Corporation ("Nolin") has applied to the Commission for authority to incur additional indebtedness in the approximate amounts of \$13 million and \$4.3 million, respectively.

KRS 278.300(2) provides that the Commission shall have 60 days after filing to consider applications for authority to issue or assume securities or evidences of indebtedness unless it is necessary for good cause to continue the application. As the Commission has not completed its investigation of these matters, the Commission finds

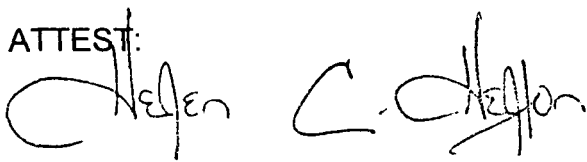
that good cause exists to continue the financing applications beyond the 60-day period specified in KRS 278.300(2).

IT IS THEREFORE ORDERED that Nolin's applications for authority to incur additional indebtedness are continued beyond the 60-day period specified in KRS 278.300(2).

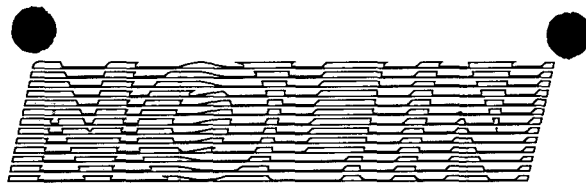
Done at Frankfort, Kentucky, this 7th day of September, 1999..

By the Commission


ATTEST:



Executive Director



Rural Electric Cooperative Corporation

A Touchstone Energy™ Partner 

August 27, 1999

RECEIVED

AUG 27 1999

**PUBLIC SERVICE
COMMISSION**

HELEN HELTON
EXECUTIVE DIRECTOR
PSC
730 SCHENKEL LN
FRANKFORT KY 40602

RE: CASE NO. 99-252

Dear Ms. Helton:

Enclosed are the original and eight copies of our responses in the above referenced case. Also enclosed are copies of Exhibits 7 and 8 which were omitted from the original filing.

If you need any additional information, please let me know.

Sincerely,



O. V. Sparks
Administration & Finance Manager

/cgt

Enclosures

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED
AUG 27 1999
PUBLIC SERVICE
COMMISSION

IN THE MATTER OF:

THE APPLICATION OF THE NOLIN RURAL)
ELECTRIC COOPERATIVE CORPORATION)
FOR AN ORDER PURSUANT TO KRS 278.300)
AND 807KAR5:001, SECTION 11 AND)
RELATED SECTIONS AUTHORIZING THE)
COOPERATIVE TO OBTAIN A LINE OF)
CREDIT LOAN IN THE AMOUNT OF)
\$13,000,000.00 FROM THE NATIONAL)
RURAL UTILITIES COOPERATIVE)
FINANCE CORPORATION)

CASE NO. 99-252

RESPONSE TO ORDER OF JULY 29, 1999

Comes Nolin Rural Electric Cooperative Corporation, and for its Response to the Order of the Commission dated July 29, 1999, states as follows:

1. Nolin's application contains a certification notice indicating that the proposed loan is associated with the National Rural Utilities Cooperative Finance Corporation's ("CFC") "PowerVision" program.

a. Provide a thorough description of the "PowerVision" program.

Include any literature or other information from CFC explaining this program.

RESPONSE: The PowerVision program is explained in Exhibit 1-A attached and was thoroughly explained in a presentation made in conjunction with Case No. 98-588 on August 24, 1999.

b. As of the date of this Order, provide the fixed and variable interest rates available for the proposed financing.

RESPONSE: See attached Exhibit B.

c. Provide a listing of the requirements Nolin has to meet to qualify for

this program, and indicate how Nolin satisfies these requirements.

RESPONSE: As a member/borrower of "CFC", Nolin was pre-approved. See Exhibit 1-A, page 1 of _____ 4 _____.

d. Describe the analysis performed by Nolin that led it to conclude that a loan through the "PowerVision" program was the most reasonable alternative. Include a discussion of other financing options considered.

RESPONSE: Nolin is not seeking loan funds through this program at this time, but wishes to have these funds available in order to expedite future loan fund needs.

e. Does the "PowerVision" program replace any of the CFC's more traditional financing options? Explain the response.

RESPONSE: No, this is a new program as explained at the presentation on August 24, 1999.

f. Will Nolin still need to seek supplemental financing for its periodic Work Plans, which traditionally 30 percent of the total has been financed by supplemental lenders? Explain the response.

RESPONSE: Yes. This is just a "bridge loan" until RUS financing procedures are complete.

g. Provide a detailed explanation of the benefits Nolin believes it will receive by participating in the "PowerVision" program.

RESPONSE: Nolin believes it will save money by not having to rely on short term financing at higher costs while waiting for RUS approvals.

2. In its application, Nolin refers to the proposed financing as a line of credit. However, the May 4, 1999 approval letter from CFC refers to this financing as a long-term goal.

a. Explain why Nolin considers the proposed financing to be a line of credit rather than a supplemental long-term loan.

RESPONSE: Nolin does not plan to use this program as long-term financing, but instead, having it available as a "bridge loan". A "bridge loan" could be drawn like a line of credit until long-term financing paperwork is completed.

b. What is the status of Nolin's existing line of credit with CFC? Include the amount of the line of credit, the outstanding amount as of June 30, 1999, and the current interest rate.

RESPONSE: Nolin currently has a \$7,000,000.00 line of credit. Currently, Nolin has an outstanding balance of \$1,500,000.00. The current rate as of August 2, 1999 was 6.450%.

c. Will Nolin retain its current line of credit if the proposed financing is approved? Explain the response.

RESPONSE: Yes, because "PowerVision" loans are for financing construction work plans and line of credit loans are for operating the cooperative.

3. Provide copies of the unexecuted "PowerVision" loan documents.

RESPONSE: See attached Exhibit C.

4. Are Nolin's current revenues sufficient to cover the increased debt costs represented by the proposed financing? Explain the response.

RESPONSE: There will not be any debt costs at this time, because Nolin does not plan to use this program at this time.

5. Nolin's application states that all mortgages prior to August 31, 1993 are on file with the Commission in Case No. 93-324. Explain why the application does not include copies of the May 1, 1997 Restated

Mortgage and Security Agreement as required by 807 KAR 5:001, Section 11(2)(b). Also provide two copies of this May 1, 1997 mortgage.

RESPONSE: In order to save paper, Nolin only filed one copy of the mortgages in question with its original application. However, if the Commission needs these additional copies, they are now being provided.

6. In its application, Nolin states that the proceeds from the proposed financing will be used to reimburse general funds for operating expenditures and construction costs until long-term loan funds are available.

a. Since the advances under the proposed financing can be amortized over a period up to 35 years, explain why the proposed financing does not already constitute long-term loan funds.

RESPONSE: Once the long-term financing paperwork has been approved and RUS releases the loan funds, the "PowerVision" loans would be paid off.

b. Does the proposed use of these proceeds overlap with the use of the funds available from Nolin's existing line of credit? Explain the response.

RESPONSE: No, see answer to "2C".

c. Provide a more detailed explanation of the use of the proceeds from the proposed financing. As an example, based on Nolin's current financial forecasts, describe how the proposed financing would be used over the next 5-year period.

RESPONSE: The "PowerVision" loans would not affect the current financial forecast, because of the answer in "6A".

All of the responses in this Application will be addressed by O.V. Sparks, the Administration and Finance Manager for Nolin Rural Electric Cooperative Corporation.

WITNESS the signature of O.V. Sparks to these Responses this 27th day of August, 1999.

NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION

**BY: _____
O.V. SPARKS, Administration and
Finance Manager,**

STATE OF KENTUCKY
COUNTY OF HARDIN

I, the undersigned, a Notary Public, do hereby certify that on this 27th day of August, 1999, personally appeared before me **O.V. SPARKS**, who being by me first duly sworn, subscribed to and acknowledged that he is the **Administration and Finance Manager** of **Nolin Rural Electric Cooperative Corporation**, that he signed the foregoing document as **Administration and Finance Manager** of Nolin R.E.C.C., and that the statements therein contained are true.

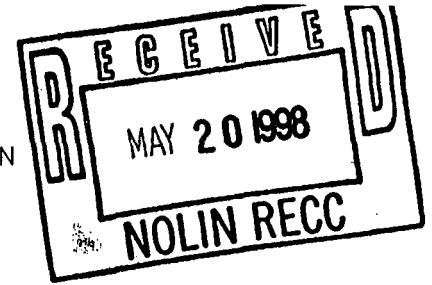
NOTARY PUBLIC, State of Kentucky
At Large

My commission expires _____.



NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION
Powerful Financial Solutions

2201 Cooperative Way · Herndon, Virginia 20171-3025
<http://www.nrucfc.org>
703-709-6700



May 18, 1998

Mr. Michael L. Miller
President & CEO
Nolin Rural Electric Cooperative Corporation
411 Ring Road
Elizabethtown, KY 42701-8701

Dear Mr. Miller:

Starting today, obtaining long-term financing will never be the same again.

The pulse of our industry is beating faster and faster; the speed with which your cooperative can react to competition and to opportunities for growth may well determine your future success. You need a business partner who can move as quickly as you do to take advantage of these changes and help you chart your future course; and a product that gives you:

- Immediate access to pre-approved funds
- Enormous flexibility in selecting loan size and terms
- Increased efficiency
- Decreased administration, and
- The ability to plan for the future with confidence.

Introducing PowerVision™: A Future Solution — Available Now, from CFC.

What does PowerVision™ mean for Nolin Rural Electric Cooperative Corporation? CFC, working with RUS, has set aside \$13,000,000 of **pre-approved** loan funds specifically for you. All of the necessary approvals, administration, and loan documentation is taken care of at one time. No lien accommodations, no waiting — no kidding. Once in place, your PowerVision™ financing has a shelf life of five years. Anytime you need construction funds within the next five years, simply make one phone call to CFC.

You will not find opportunities to get a financing vehicle as convenient and as flexible as PowerVision™. Best of all, there is no "storage fee" to Nolin Rural Electric Cooperative Corporation because you are a CFC member. To start the approval process, simply complete the Board Resolution we've enclosed and return it to CFC. We'll take care of the rest.

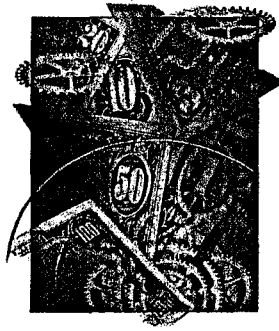
PowerVision™: A Future Solution — Available Now!

Another Powerful Financial Solution from CFC.

Sincerely,

A handwritten signature in cursive script that reads 'Cynthia B. Giudici'. The signature is written in dark ink and is positioned above the printed name of the signatory.

Associate Vice President



POWERSVISION™ LONG-TERM LOAN TERM SHEET

AVAILABILITY:

To all Pre-approved RUS/CFC Borrowers.

PURPOSE:

Financing proceeds may be used for eligible property additions.

LOAN TERM & AMORTIZATION:

Up to 35 years; allowing 5 years for the first advance.

The loan can be amortized under the following methods: (a) level debt service; or (b) level principal.

INTEREST RATE:

CFC's standard fixed and variable rates.

SECURITY:

Pro-rata first mortgage lien on the assets and revenues of the system.

LOAN CAPITAL TERM CERTIFICATE (LCTC):

Calculated at the time of the initial advance, based on CFC's current policies.

Currently, the LCTC may range from 0-3% of the principal amount of the loan.

The LCTC must be purchased with general funds.

PATRONAGE CAPITAL:

Allocated on an annual basis and retired on CFC's announced rotation cycle.

CREDIT STANDARDS:

MDSC of 1.35 for the past year and an average of 1.35 for the past two years.

TIER and DSC of 1.50 and 1.25, respectively, over the last two year-ends.

New debt does not cause total long-term debt to exceed net utility plant.

Equity to total asset ratio of at least 27% after consideration of new debt.

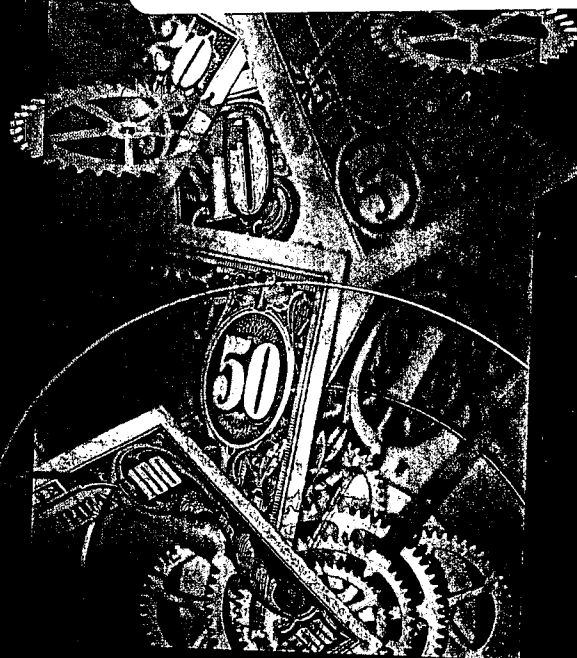
SUPPORTING DATA:

Independent CPA Certificate that system has met credit standards.

CFC Requisition Request.

CFC may require a financial forecast in support of the application. CFC may require submission of an updated forecast prior to any advance. The forecast should be received at least 7 days prior to the requested advance date and show feasibility.

Each advance's purpose should be outlined in the request.



CFC POWER VISION™
Powerful Financial Solutions



NATIONAL RURAL UTILITIES
COOPERATIVE FINANCE CORPORATION
2201 Cooperative Way, Herndon, Virginia 20171-3025
www.nrucfc.org
703/709-6700

**What if you never
had to worry
about long-term
financing again?**

Think you're dreaming?

Think Again...Now there's
CFC PowerVision™

You're CFC and RUS Pre-approved!

REALIZE THE BENEFITS OF CFC POWERVISION™

*Simply put, CFC PowerVision™ is pre-approved
financing that enables you to:*

- ▶ Manage your co-op's debt and budget with increased flexibility and emphasis on future planning
- ▶ Respond quickly to competitive market place challenges
- ▶ Gain the peace of mind that comes with an established source of financing for the next five years
- ▶ Focus your valuable time on ensuring your co-op's competitive position and on exploring diversification opportunities
- ▶ Reduce your co-op's overall administrative and long-term loan costs

HERE'S HOW IT WORKS

To sign-up for CFC PowerVision™, you need only have your Board execute the enclosed sample resolution.

Once you've returned the executed resolution to CFC, we'll work with you to put the necessary documents in place. At this time, we can

also help you evaluate

my need and the dollar amount for each note.

Once your CFC PowerVision™ is set-up, any-time you need financing within the next five years, just give CFC a quick phone call.

It's that Simple!

And as an additional benefit of CFC ownership, there is no fee charged to you for your CFC PowerVision™.

ARE YOU READY TO TAKE ACTION?

To get the ball rolling, just bring the "ready-to-go" resolution we've enclosed to your Board at their next meeting. The pre-approved amount your cooperative has been qualified for is listed in the enclosed letter.

Don't delay because this specific financing opportunity is only good for the next 12 months, starting with the date of the offer letter. After that, your CFC PowerVision™ offer can change.

*So Sign-Up Now for this Hassle-free,
Worry-free Powerful Financial Solution!*

If you'd like more information, please contact your CFC Regional or Associate Vice President by calling toll-free at 1/800-424-2954.





POWERFUL FINANCIAL SOLUTIONS

August 2, 1999

LONG-TERM FIXED RATES FOR 8/2/99

3 year	7.650%	10 year	8.100%
5 year	7.800%	15 year	8.350%
7 year	8.100%	30 year	8.550%

SHORT-TERM RATES EFFECTIVE 8/2/99

Long-Term Variable Rate	6.300%
Line of Credit/Intermediate	6.450%
Associate Member (5% Loan CTCs)	6.300%
Associate Member (10% Loan CTCs)	5.950%
NCSC Associate Rate	6.650%

BANK PRIME RATE ON 8/2/99

8.00%

RUS MUNICIPAL LOAN RATES

Rates for July 1, 1999 - September 30, 1999

YEAR INTEREST TERM ENDS	INTEREST RATE	YEAR INTEREST TERM ENDS	INTEREST RATE
2000	3.125%	2010	4.625%
2001	3.375%	2011	4.750%
2002	3.625%	2012	4.875%
2003	3.875%	2013	4.875%
2004	4.125%	2014	5.000%
2005	4.250%	2015	5.000%
2006	4.250%	2016	5.000%
2007	4.375%	2017	5.125%
2008	4.500%	2018	5.125%
2009	4.625%	+20 years	5.125%

CFC COMMERCIAL PAPER RATES FOR 8/2/99

DAYS	RATE	DAYS	RATE
1-5	5.025%	90-119	5.225%
6-14	5.050%	120-149	5.250%
15-20	5.100%	150-179	5.250%
21-45	5.100%	180-209	5.250%
46-89	5.150%	210-270	5.250%

To invest in CFC CP call: 800-424-2955

CFC MEDIUM-TERM NOTES FOR 8/2/99

MONTHS	RATE	MONTHS	RATE
10	5.920%	18	6.140%
11	5.930%	19	6.180%
12	5.940%	20	6.210%
13	5.970%	21	6.250%
14	6.010%	22	6.280%
15	6.040%	23	6.310%
16	6.070%	24	6.350%
17	6.110%		

To invest in CFC MTNs call: 800-424-2954, ext. 731

NOTICE

Fixed Rates for Class A members are quoted each business day. These rates are for selected maturities and are available for loans advanced or repriced today. These rates do not include discounts. Call the CFC Rate Line at 800-599-6782 or visit CFC's website <http://www.nrucfc.org> for rate quotes, for other maturity periods, and for rate information any time during the month. Variable rates are subject to change monthly or semi-monthly in accordance with the terms of the loan agreement.

Quoted Associate Member rates reflect the value of the different CTC investments related to the two loan types.



NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION
Powerful Financial Solutions

2201 Cooperative Way · Herndon, Virginia 20171-3025
<http://www.nrufc.org>
703-709-6700

May 4, 1999

Mr. Michael L. Miller, President & CEO
Nolin Rural Electric Cooperative Corporation
411 Ring Road
Elizabethtown, Kentucky 42701

RE: KY 51-A-9026

Dear Mr. Miller:

We are pleased to inform you that National Rural Utilities Cooperative Finance Corporation (CFC) has approved a long-term loan to your system in the principal amount of \$13,000,000.00. The CFC loan documents are enclosed for execution.

CFC's loan commitment is dependent upon the execution of the CFC loan documents by your cooperative and their receipt and acceptance by CFC. CFC will notify you promptly upon its receipt of the documents regarding the status of your loan.

If you have any questions, please contact the person whose name is provided in the enclosed instructions before executing the documents.

We at CFC appreciate the opportunity to do business with you and look forward to serving your financial needs in the future.

Sincerely,


for Cynthia Giudici
Associate Vice President

Enclosures

cc: John J. Scott, Esquire
cc: Alex M. Cockey, Jr., RUS

(with enclosures) ✓
(with enclosures)

**CFC Instructions
for RUS/CFC Members**

Member: NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION
Loan Designation: KY 51-A-9026

Enclosed for the above-referenced loan are the following documents:

- I. CFC Loan Agreement - 2 counterparts executed by CFC
- II. Secured Promissory Note(s)
- III. Form of opinion of counsel
- IV. Certificate of resolutions and incumbency

Before any action is taken to execute the documents, it should be determined that all necessary regulatory commission approvals have been obtained. CFC will require an original copy of the order of the commission.

A. Loan Agreement and CFC Note(s):

Please date and execute both counterparts of the loan agreement and the promissory note. The loan agreement and all notes should bear the same date.

B. Opinion of Counsel:

Counsel should prepare an opinion of counsel, on counsel's letterhead, in the form supplied. Counsel should make certain that all loan documents are dated with the date of actual execution and that these documents all bear the same date.

C. Certificate of Board Resolutions and Incumbency:

Board resolutions should be adopted following the form supplied. Only persons authorized by the Board to execute the loan documents need to sign the certificate.

EXECUTED DOCUMENTS TO BE RETURNED TO CFC:

- Counterpart No. 1 of the CFC loan agreement
- The original secured promissory note(s)
- **TWO** original opinions of counsel
- The original certificate of resolutions and incumbency

IF YOU HAVE QUESTIONS REGARDING THESE INSTRUCTIONS, DOCUMENTS OR OPINION, PLEASE TELEPHONE KATHLEEN PASCUCCI, LEGAL ASSISTANT AT (800) 424-2954 or (703) 709-6700.

BOARD RESOLUTION

Certified Copy of Minutes Authorizing Request for Pre-Approved
CFC PowerVision™

WHEREAS, the Board, of Nolin Rural Electric Cooperative Corp. (herein called the
Cooperative's Name

"Cooperative"), has approved the Cooperative's request to apply for CFC pre-approved financing; and

WHEREAS, the Board has been advised by its counsel that the Cooperative is legally constituted, is in
compliance with all applicable statutory, regulatory and other legal requirements;

NOW THEREFORE BE IT RESOLVED, that ~~Nolin Rural Electric Cooperative Corp.~~, make
Cooperative's Name application to National Rural Utilities Cooperative Finance Corporation (CFC), Herndon, Virginia, for a CFC
PowerVision™ long-term loan in the amount of \$ 13,000,000.00 to provide financing for
Power-Vision Dollar Amount future financing needs.

Certificate of Secretary

I, A. L. Rosenberger, Secretary of Nolin Rural Electric Co-op Corp.,
Cooperative Secretary's Name *Cooperative's Name*

do hereby certify that the above resolution is a true and correct copy of the resolution, as adopted by the
Board of Nolin Rural Electric Cooperative Corp., at its meeting held on 02/23/99
Cooperative's Name *Date*
and that said Resolution has not been modified and is in full force and effect as of the date hereof.

(Corporate Seal)

A. L. Rosenberger
Cooperative's Secretary

02/23/99
Date



CERTIFICATE OF RESOLUTIONS AND INCUMBENCY

I, _____, do hereby certify that (i) I am the Secretary of NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION (hereinafter called the "Cooperative"); (ii) the following are true and correct copies of resolutions duly adopted by the board of directors of the Cooperative at a meeting held on _____, 19____; (iii) the meeting was duly and regularly called and held in accordance with the articles and bylaws of the Cooperative; (iv) the Cooperative is duly incorporated, validly existing and in good standing under the laws of the state of its incorporation and there is no pending or contemplated proceeding for the merger, consolidation, sale of assets or business or dissolution of the Cooperative; (v) forms of the CFC loan documents were submitted to the meeting and were authorized by the board of directors to be executed; (vi) none of the following resolutions has been rescinded or modified as of this date; and (vii) the persons authorized below have been duly elected or appointed to their respective positions and occupied such positions on the date of actual execution of the CFC loan documents:

RESOLVED, that the Cooperative borrow from National Rural Utilities Cooperative Finance Corporation (CFC), from time to time as determined by the officers or proper persons designated by the board of directors of the Cooperative, an aggregate amount not to exceed \$13,000,000.00, and purchase with general funds a Loan Capital Term Certificate, if required, in an amount not to exceed the amount set forth in the Loan Agreement; and

RESOLVED, that the proceeds of this loan be used for the purpose set forth in the Loan Agreement; and

RESOLVED, that the individuals listed below are hereby authorized to execute and to deliver to CFC the following documents (including as many counterparts as may be required):

- a) an agreement with CFC, substantially in the form of the CFC Loan Agreement submitted to this meeting; and
- b) one or more secured promissory notes payable to the order of National Rural Utilities Cooperative Finance Corporation, which in the aggregate equal the principal amount of \$13,000,000.00, bearing such interest and providing for such payment as is set forth in the CFC Loan Agreement and each note, substantially in the form of the note presented to this meeting; and

RESOLVED, that each of the following individuals is hereby authorized in the name and on behalf of the Cooperative to execute and to deliver all such other documents and instruments as may be necessary or appropriate, to make all payments, and to do all such other acts as in the opinion of such authorized individual acting may be necessary or appropriate in order to carry out the purposes and intent of the foregoing resolutions:

<u>Office</u>	<u>Name (typed)</u>	<u>Signature</u>
President	_____	_____
Vice President	_____	_____
Secretary	_____	_____
Treasurer	_____	_____
_____	_____	_____
_____	_____	_____

IN WITNESS WHEREOF I have hereunto set my hand and affixed the seal of the Cooperative this
_____ day of _____, _____

Secretary

(SEAL)

[COUNSEL SHOULD PREPARE THIS FORM OF OPINION ON ITS LETTERHEAD]

Date: _____

National Rural Utilities Cooperative Finance Corporation
2201 Cooperative Way
Herndon, Virginia 20171-3025
Attn.: General Counsel

Re: NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION
KY 51-A-9026

Dear Sir:

I am counsel for NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION, organized under the laws of the Commonwealth of Kentucky ("Borrower"), and render this opinion to you in connection with the loan of \$13,000,000.00 provided for in the loan agreement ("CFC Loan Agreement"), dated as of _____, 19____, made by and between the Borrower and National Rural Utilities Cooperative Finance Corporation ("CFC").

I have examined such corporate records and proceedings of the Borrower, and such other documents as I have deemed necessary as a basis for the opinions hereinafter expressed.

I have also examined the following documents as executed and delivered: (1) the CFC Loan Agreement, (2) the secured promissory note(s) dated as of _____, 19____ ("CFC Note(s)"), and (3) the Restated Mortgage and Security Agreement dated as of May 1, 1997, made by and among the Borrower, the United States of America and CFC as it may have been supplemented, amended, consolidated or restated from time to time ("Mortgage"). The CFC Note, the CFC Loan Agreement and the Mortgage are collectively referred to herein as the "CFC Loan Documents."

I have also examined [or caused to be examined by ***if applicable, provide name of title insurance company or other qualified individual or entity undertaking examinations***], the records and files of all offices in which there might be recorded, filed or indexed evidence of the Borrower's title, and any liens of any nature whatsoever affecting the title, to any real or personal property of the Borrower, other than easements or rights of way relating to the electric lines of the Borrower.¹

¹[***Examination should be conducted of land records, UCC records, judgment liens, tax liens and such other areas deemed necessary by counsel to give the legal opinions included herein.***]

I have supervised, examined, or caused to be examined by competent and trustworthy persons, (i) the recordation of the Mortgage as a mortgage of real property in the county of Hardin in the Commonwealth of Kentucky; and (ii) the filing of the Mortgage as a financing statement ("Financing Statement") in such locations necessary to provide CFC with a perfected lien on all of Borrower's Mortgaged Property (as defined in the Mortgage) to the extent set forth below. All taxes, recording and filing fees required to be paid in connection with the recording of the Mortgage and the filing of the Financing Statement have been paid.

Based upon the foregoing, I am of the opinion that:

(i) the Borrower is a duly organized, validly existing corporation and in good standing under the laws of the jurisdiction of its organization, and the Borrower has full corporate power (a) to execute and deliver the CFC Loan Documents; (b) to perform all acts required to be done by it under the CFC Loan Documents; and (c) to own, operate and maintain its properties and operate its business as conducted at the date of this Opinion;

(ii) to the extent reasonably required for the maintenance and operation of its properties and business taken as a whole, the Borrower has complied with all requirements of the laws of all States in which it operates or does business and, to the extent reasonably required to enable the Borrower to engage in the business currently transacted by it, the Borrower holds all certificates, licenses, consents or approvals of governmental authorities required to be obtained on or prior to the date of this Opinion;

(iii) the CFC Loan Documents have been duly authorized, executed and delivered by the Borrower to CFC and constitute the valid and binding obligations of the Borrower, enforceable against the Borrower, in accordance with their respective terms provided, however, that enforceability may be limited by bankruptcy, insolvency or other similar laws of general application relating to or affecting the enforcement of creditors' rights and that the enforcement thereof may be limited by laws with respect to or affecting the remedies provided for in said agreement or instrument; provided further, however, that the inclusion of certain provisions for remedies in the CFC Loan Documents does not affect the validity of such instruments and each such instrument contains adequate enforceable provisions for the practical realization of the material benefits and security afforded thereby;

(iv) the execution and performance by the Borrower of the CFC Loan Documents, and the transactions contemplated thereby will not violate any provision of law, the articles of incorporation, or bylaws² of the Borrower, or result in the breach of, or constitute a default under, any agreement, indenture or other instrument to which the Borrower is a party, or by which it may be bound, known to the undersigned;

²[***As used herein, "articles of incorporation" includes "certificate of incorporation," "articles of association" or "charter;" and "bylaws" includes "code of regulations.***]

[*** SELECT ONE OF THE FORMS OF PARAGRAPH (v) ***]

*** (v) all authorizations from regulatory bodies required in connection with the execution, delivery and performance of the CFC Loan Documents have been obtained and copies thereof are attached hereto;

*** (v) no authorization from any regulatory body is required in connection with the execution, delivery and performance of the CFC Loan Documents;

(vi) I know of no legal proceedings pending or threatened against or affecting the Borrower or its property which, if adversely determined, would have a material adverse effect upon the business, operations or financial condition of the Borrower; and

(vii) the Mortgage creates a validly recorded, filed and perfected lien on, and security interest in, all of Borrower's real and personal property, including, without limitation, all such property of the Borrower acquired after the date of the delivery of the Mortgage, securing Borrower's obligations under the CFC Note and the CFC Loan Agreement subject and subordinate only to those liens and encumbrances expressly permitted by the Mortgage.³

Although the parties have agreed that the CFC Loan Agreement and Note shall be governed by and construed in accordance with the laws of the Commonwealth of Virginia, if a court were to hold that the CFC Loan Agreement is to be governed by and construed in accordance with the laws of the Commonwealth of Kentucky, the CFC Loan Agreement and Note would under the laws of the Commonwealth of Kentucky be legal, valid and binding obligations of the Borrower enforceable against the Borrower in accordance with their respective terms, subject as to enforceability only to those qualifications referenced in subparagraph (iii), above.

Sincerely,

³[***If you are relying on a third party for searches, you may begin this paragraph with: "Based solely upon (and assuming the accuracy and completeness of) the searches conducted by _____, I am of the opinion that..."***]

SECURED PROMISSORY NOTE

\$13,000,000.00 _____, 19__

NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION, a Kentucky corporation ("Borrower"), for value received promises to pay, without setoff, deduction, recoupment or counterclaim, to the order of NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION ("Payee") at the Payee's main office or such other place as designated by the Payee, in lawful money of the United States, the sum of the aggregate unpaid principal amount of all Advances (as defined in the Loan Agreement referred to herein) made by the Payee, pursuant to a Loan Agreement dated as of even date herewith between the Borrower and the Payee, as may be amended from time to time (the "Loan Agreement"), on the dates provided in the Loan Agreement, *provided, however*, that if not sooner paid as provided in the Loan Agreement, then any balance shall be due and payable on the date that is forty (40) years from the date hereof (such date being the Maturity Date hereof), *provided, however*, that if such date is not a Payment Date (as defined in the Loan Agreement), then the Maturity Date shall be the Payment Date immediately preceding such date, with interest thereon in like money from the respective dates of each Advance hereunder, at the rate or rates and payable at the times provided in said Loan Agreement together with any other amount payable under the Loan Agreement

This Note is secured under a Restated Mortgage and Security Agreement dated as of May 1, 1997 between the Borrower, the Payee and the United States of America, as it may have been or shall be supplemented, amended, consolidated or restated from time to time ("Mortgage"). This Note is one of the Notes referred to in, and has been executed and delivered pursuant to, the Loan Agreement.

The principal hereof and interest accrued thereon and any other amount due under the Loan Agreement may be declared to be forthwith due and payable in the manner, upon the conditions, and with the effect provided in the Mortgage or the Loan Agreement.

The Borrower waives demand, presentment for payment, notice of dishonor, protest, notice of protest, and notice of non-payment of this Note.

IN WITNESS WHEREOF the Borrower has caused this Note to be signed in its corporate name and its corporate seal to be hereunto affixed and to be attested by its duly authorized officers, all as of the day and year first above written.

NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION

(SEAL)

By: _____

Title: _____

Attest: _____

Secretary

Loan No. KY 51-A-9026

LOAN AGREEMENT

LOAN AGREEMENT, (this "Agreement") dated _____, 19____ between NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION ("Borrower"), a corporation organized and existing under the laws of the Commonwealth of Kentucky and NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION ("CFC"), a cooperative association incorporated under the laws of the District of Columbia.

RECITALS

WHEREAS, the Borrower has applied to CFC for a loan for the purposes set forth in Schedule 1 hereto; and

WHEREAS, CFC has approved a loan to the Borrower in the aggregate principal amount of the CFC Commitment, subject to the terms and conditions stated herein; and

WHEREAS, the Borrower has agreed execute one or more secured promissory notes to evidence Borrower's indebtedness to CFC under this Agreement;

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants hereinafter contained, the parties hereto agree and bind themselves as follows:

ARTICLE I

DEFINITIONS

Section 1. Except as otherwise provided in Section 4.H. of this Agreement, capitalized terms used in this Agreement shall have the meanings set forth below. Capitalized terms that are not defined herein shall have the meanings as set forth in the Mortgage.

"Accounting Requirements" shall mean the requirements of any system of accounts prescribed by RUS so long as the Government is the holder, insurer or guarantor of any Notes secured under the Mortgage, or, in the absence thereof, the requirements of generally accepted accounting principles applicable to businesses similar to that of the Borrower.

"Advance" or "Advances" shall mean one or more advances of funds by CFC to Borrower under a Note and pursuant to the terms and conditions of this Agreement.

"Amortization Basis Date" shall mean the date the Advance begins to amortize, which with respect to each Advance, shall be the date the Advance is made.

"Business Day" shall mean any day that both CFC and the depository it utilizes for funds transfers hereunder are open for business.

"CFC Commitment" shall have the meaning as defined in Schedule 1.

"CFC Fixed Rate" shall mean the fixed rate as available for loans similarly classified pursuant to CFC's policies and procedures in effect at the time a conversion request is approved.

"CFC Fixed Rate Term" shall mean the specific period of time that a CFC Fixed Rate is in effect.

"CFC Variable Rate" shall mean the rate established by CFC for variable interest rate loans similarly classified pursuant to CFC's policies and procedures then in effect.

"Conversion Request" shall mean a request from any duly authorized official of the Borrower, in form and substance satisfactory to CFC, that requests an interest rate conversion.

"Debt Service Coverage Ratio ("DSC")" shall mean the ratio determined as follows: for any calendar year add (i) Operating Margins, (ii) Non-Operating Margins—Interest, (iii) Interest Expense, (iv) Depreciation and Amortization Expense for such year, and (v) cash received in respect of generation and transmission and other capital credits, and divide the sum so obtained by the sum of all payments of principal and interest during such calendar year; provided, however, that in the event that any Long-Term Debt has been refinanced during such year the payments of Principal and Interest Expense required to be made during such year on account of such Long-Term Debt shall be based (in lieu of actual payments required to be made on such refinanced Long-Term Debt) upon the larger of (i) an annualization of the payments required to be made with respect to the refinancing debt during the portion of such year such refinancing debt is outstanding or (ii) the payment of Principal and Interest Expense required to be made during the following year on account of such refinancing debt.

"Depreciation and Amortization Expense" shall mean an amount constituting the depreciation and amortization of the Borrower computed pursuant to Accounting Requirements.

"Distributions" shall have the meaning defined in Section 5.H.

"Equities and Margins" shall mean Borrower's equities and margins computed pursuant to Accounting Requirements.

"Equity" shall mean the aggregate of Borrower's Equities and Margins computed pursuant to Accounting Requirements.

"Government" shall mean the United States of America acting by and through the Administrator of the RUS and shall include the RUS' predecessors, successors and assigns.

"Interest Expense" shall mean an amount constituting the interest expense with respect to Total Long-Term Debt of the Borrower computed pursuant to Accounting Requirements. In computing Interest Expense, there shall be added, to the extent not otherwise included, an amount equal to 33-1/3% of the excess of Restricted Rentals paid by the Borrower over 2% of the Borrower's Equities and Margins.

"LCTC" shall mean the Loan Capital Term Certificate as described in Section 5.E. hereto.

"Long-Term Debt" shall mean any amount included in Total Long-Term Debt pursuant to Accounting Requirements.

"Maturity Date", with respect to each Note, shall mean the date set forth therein, *provided, however*, that if such date is not a Payment Date, then the Maturity Date shall be the Payment Date immediately preceding such date.

"Mortgage" shall have the meaning as described in Schedule 1.

"Mortgaged Property" shall have the meaning as defined in the Mortgage.

"Net Utility Plant" shall mean the amount constituting the total utility plant of the Borrower less depreciation computed in accordance with Accounting Requirements.

"Non-Operating Margins-Interest" shall mean the amount of non-operating margins-interest of Borrower computed pursuant to Accounting Requirements.

"Note" or **"Notes"** shall mean one or more secured promissory notes executed by Borrower pursuant to this Agreement.

"Operating Margins" shall mean the amount of net patronage capital and operating margins of the Borrower computed pursuant to Accounting Requirements.

"Patronage Capital or Operating Margins" shall mean the amount of net patronage capital or margins of the Borrower computed pursuant to Accounting Requirements.

"Payment Date" shall mean the last day of each of the months referred to in Schedule 1.

"Payment Notice" shall mean a notice furnished by CFC to Borrower that indicates the precise amount of each payment of principal and interest and the total amount of each payment.

"Principal" shall mean the amount of principal billed on account of Total Long-Term Debt of the Borrower as computed for purposes of Form 7.

"Restricted Rentals" shall mean all rentals required to be paid under finance leases and charged to income, exclusive of any amounts paid under any such lease (whether or not designated therein as rental or additional rental) for maintenance or repairs, insurance, taxes, assessments, water rates or similar charges. For the purpose of this definition the term "finance lease" shall mean any lease having a rental term (including the term for which such lease may be renewed or extended at the option of the lessee) in excess of three (3) years and covering property having an initial cost in excess of \$250,000 other than automobiles, trucks, trailers, other vehicles (including without limitation aircraft and ships), office, garage and warehouse space and office equipment (including without limitation computers).

"RUS" shall mean the Rural Utilities Service, an agency of the United States Department of Agriculture, or if at any time after the execution of this Agreement RUS is not existing and performing the duties of administering a program of rural electrification as currently assigned to it, then the entity performing such duties at such time.

"Termination Date" shall mean a date five (5) years after the date hereof.

"**Total Assets**" shall mean an amount constituting the total assets of the Borrower computed pursuant to Accounting Requirements.

"**Total Long-Term Debt**" shall mean an amount constituting the long-term debt of the Borrower computed pursuant to Accounting Requirements.

"**Total Utility Plant**" shall mean the amount constituting the total utility plant of the Borrower computed pursuant to Accounting Requirements.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

Section 2. The Borrower represents and warrants that:

A. Good Standing. The Borrower is a corporation duly incorporated, validly existing and in good standing under the laws of the state of its incorporation, is duly qualified in those states in which it is required to be qualified to conduct its business, and has corporate power to enter into and perform this Agreement, to borrow hereunder and to give security as provided for herein. The Borrower is a member in good standing of CFC.

B. Authority. The execution, delivery and performance by the Borrower of this Agreement, each Note and the Mortgage, and the performance of the transactions contemplated thereby, have been duly authorized by all necessary corporate action and will not violate any provision of law or of the Articles of Incorporation or Bylaws of the Borrower or result in a breach of, or constitute a default under, any agreement, indenture or other instrument to which the Borrower is a party or by which it may be bound.

C. Litigation. There are no suits or proceedings pending or, to the knowledge of the Borrower, threatened against or affecting the Borrower or its properties which, if adversely determined, would have a material adverse effect upon the financial condition or the business of the Borrower. The Borrower is not, to its knowledge, in default with respect to any judgment, order, rule or regulation of any court, governmental agency or other instrumentality which would have a material adverse effect on the Borrower.

D. Financial Statements. The balance sheet of the Borrower as at the date identified in Schedule 1, and the statement of operations of the Borrower for the period ending on said date, heretofore furnished to CFC, are complete and correct. Said balance sheet fairly presents the financial condition of the Borrower as at said date and said statement of operations fairly reflects its operations for the period ending on said date. The Borrower has no contingent obligation or unusual forward or long-term commitments except as specifically stated in said balance sheet or herein. There has been no material adverse change in the financial condition or operations of the Borrower from that set forth in said financial statements except changes disclosed in writing to CFC prior to the date hereof.

E. Location of Office. The principal place of business of the Borrower and the office where its records concerning accounts and contract rights are kept is identified in Schedule 1.

F. Location of Properties. All property owned by the Borrower is located in the counties identified in Schedule 1.

G. No Other Liens. As to property which is presently included in the description of Mortgaged Property (as that term is defined in the Mortgage), the Borrower has not, without the prior written approval of CFC, signed any security agreement or filed or permitted to be filed any financing statement with respect to assets owned by it, other than security agreements and financing statements running in favor of CFC or except as disclosed in writing to CFC prior to the date hereof.

H. Required Approvals. No license, consent or approval of any governmental agency or authority is required to enable the Borrower to enter into this Agreement, any Note, or the Mortgage, or to perform any of its obligations provided for in such documents, except as disclosed in Schedule 1, all of which Borrower has obtained prior to the date hereof.

I. Survival. All representations and warranties made by the Borrower herein or made in any certificate delivered pursuant hereto shall survive the making of the Advances and the execution and delivery to CFC of each Note.

ARTICLE III

LOAN

Section 3.1. Advances. CFC agrees to make, and the Borrower agrees to request, on the terms and conditions of this Agreement, Advances from time to time at the main office of CFC, or at such other place as may be mutually agreed upon, in an aggregate principal amount not to exceed the CFC Commitment.

On the Termination Date, CFC may stop advancing funds and limit the CFC Commitment to the amount advanced prior to such date. The obligation of the Borrower to repay the Advances shall be evidenced by one or more Notes. The Borrower shall give CFC written notice of the date on which each Advance is to be made.

Section 3.2. Interest Rate and Payment. Notes shall be payable and bear interest as follows:

A. Payments; Maturity; Amortization.

(a) Each Note shall have a Maturity Date that is not more than forty (40) years from the date hereof, *provided, however*, that if such date is not a Payment Date, then the Maturity Date shall be the Payment Date immediately preceding such date.

(b) Each Advance shall amortize over a period not to exceed thirty-five (35) years from the date of such Advance, *provided, however*, that such period shall not extend beyond the Maturity Date. The Borrower, upon receipt of an invoice relating to an Advance, shall promptly pay interest only on each Payment Date until the first Payment Date of the first full quarter following the Amortization Basis Date. Thereafter, quarterly or monthly installments, as determined by CFC, of interest and/or principal in the amounts shown in the Payment Notice, shall be paid on each Payment Date; except that if not sooner paid, any amount due on account of the unpaid principal, interest accrued thereon and fees, if any, shall be due and payable on the Maturity Date. The amortization method for each Advance shall be as stated on Schedule 1 or, if not so stated, then as stated on the written requisition for such Advance submitted by Borrower to CFC pursuant to the terms hereof. On or after the Amortization Basis Date, and thereafter at least quarterly, CFC will furnish to the Borrower a Payment Notice. Such Payment Notice shall be sent to the Borrower at least ten (10) days before the next ensuing Payment Date, provided, however, that CFC's failure to send a Payment Notice shall not constitute a waiver by CFC or be deemed to relieve Borrower of its obligation to make payments as and when due as provided for herein.

(c) No provision of this Agreement or of any Note shall require the payment, or permit the collection, of interest in excess of the highest rate permitted by applicable law.

B. Application of Payments. Each payment shall be applied first to any charges other than interest or principal then due on the related Note, second to interest accrued on the principal amount to the due date of such payment on such Note (or, at the election of the holder of the Note, to the date of such payment if the same is not paid on its due date), and the balance to the reduction of principal against the Note according to an amortization schedule provided to Borrower by CFC.

C. Election of Interest Rate and Interest Rate Computation. Prior to each Advance on a Note, the Borrower must select in writing either a CFC Fixed Rate or the CFC Variable Rate, as follows:

(a) CFC Fixed Rate. If the Borrower elects a CFC Fixed Rate for an Advance, then such rate shall be in effect for the CFC Fixed Rate Term selected by Borrower. CFC shall provide the Borrower with at least sixty (60) days prior written notice of the date on which a CFC Fixed Rate is no longer in effect. Pursuant to CFC's policies of general application for repricing, the Borrower may choose any of the interest rate options then available for similarly classified borrowers repricing from a CFC Fixed Rate. If Borrower does not select an interest rate in writing when a CFC Fixed Rate is subject to repricing, then outstanding Advances shall reprice for the same CFC Fixed Rate Term as in effect immediately prior to the repricing, and shall bear interest at the then prevailing CFC Fixed Rate in effect for such term. CFC agrees that its long-term loan policies will include a fixed interest rate option until the Maturity Date. For any Advance, the Borrower may not select a CFC Fixed Rate with a CFC Fixed Rate Term that extends beyond the Maturity Date. Interest on amortizing Advances bearing interest at a CFC Fixed Rate shall be computed for the actual number of days elapsed on the basis of a year of 365 days, until the first day of the complete calendar quarter following the Amortization Basis Date. Thereafter, interest shall be computed on the basis of a 30-day month and 360-day year. Interest on non-amortizing Advances bearing interest at a CFC Fixed Rate shall be computed for the actual number of days elapsed on the basis of a year of 365 days.

(b) **CFC Variable Rate.** If the Borrower elects the CFC Variable Rate for an Advance, then such CFC Variable Rate shall apply until the Maturity Date, unless the Borrower elects to convert to a CFC Fixed Rate pursuant to the terms hereof. Interest on Advances bearing interest at the CFC Variable Rate shall be computed for the actual number of days elapsed on the basis of a year of 365 days.

Section 3.3. Conversion of Interest Rates.

A. CFC Variable Rate to a CFC Fixed Rate. The Borrower may at any time convert from the CFC Variable Rate to a CFC Fixed Rate by submitting to CFC a Conversion Request requesting that a CFC Fixed Rate apply to any outstanding Advance. The rate shall be equal to the rate of interest offered by CFC in effect on the date of the Conversion Request. The effective date of the new interest rate shall be a date determined by CFC pursuant to its policies of general application following receipt of the Conversion Request.

B. CFC Fixed Rate to CFC Variable Rate. The Borrower may at any time convert a CFC Fixed Rate to the CFC Variable Rate by: (i) submitting a Conversion Request requesting that the CFC Variable Rate apply to any outstanding Advance; and (ii) paying to CFC promptly upon receipt of an invoice 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. The effective date of the CFC Variable Rate shall be a date determined by CFC pursuant to its policies of general application following receipt of the Conversion Request.

C. A CFC Fixed Rate to Another CFC Fixed Rate. The Borrower may at its option at any time convert from a CFC Fixed Rate to another CFC Fixed Rate if the Borrower: (i) submits a Conversion Request requesting that a CFC Fixed Rate apply to any outstanding loan balance on an Advance and (ii) pays to CFC promptly upon receipt of an invoice 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. The effective date of the new interest rate shall be a date determined by CFC pursuant to its policies of general application following receipt of the Conversion Request.

Section 3.4. Prepayment. The Borrower may at any time, on not less than thirty (30) days prior written notice to CFC, prepay any Advance, in whole or in part, together with the interest accrued to the date of prepayment and any prepayment premium prescribed by CFC pursuant to its policies of general application in effect from time to time.

ARTICLE IV

CONDITIONS OF LENDING

Section 4. The obligation of CFC to make any Advance hereunder is subject to satisfaction of the following conditions:

A. Legal Matters. All legal matters incident to the consummation of the transactions hereby contemplated shall be satisfactory to counsel for CFC and, as to all matters of local law, to such local counsel as counsel for CFC may retain.

B. Documents. CFC shall have been furnished with executed copies, satisfactory to CFC, of this Agreement, each Note and the Mortgage and certified copies, satisfactory to CFC, of all such corporate documents and proceedings of the Borrower authorizing the transactions hereby contemplated as CFC shall require. CFC shall have received an opinion of counsel for the Borrower addressing such legal matters as CFC shall reasonably require.

C. Government Approvals. The Borrower shall have furnished to CFC true and correct copies of all certificates, authorizations and consents necessary for the execution, delivery or performance by the Borrower of this Agreement, each Note and the Mortgage.

D. Representations and Warranties. The representations and warranties contained in Article II shall (except as affected by the transactions contemplated by this Agreement) be true on the date of the making of each Advance hereunder with the same effect as though such representations and warranties had been made on such date; no Event of Default specified in Article VI and no event which, with the lapse of time or the notice and lapse of time specified in Article VI would become such an Event of Default, shall have occurred and be continuing or will have occurred after giving effect to the Advance on the books of the Borrower; there shall have occurred no material adverse change in the business or condition, financial or otherwise, of the Borrower; and nothing shall have occurred which in the opinion of CFC materially and adversely affects the Borrower's ability to meet its obligations hereunder.

E. Mortgage Filing. The Mortgage (and any amendments, supplements or restatements as CFC may require from time to time) shall have been duly recorded as a mortgage on real property and duly filed, recorded or indexed as a security interest in personal property wherever CFC shall require, all in accordance with applicable law, and Borrower shall have paid all applicable taxes, recording and filing fees and provided satisfactory evidence thereof to CFC.

F. Requisitions; Certification. Borrower shall have requested the Advance by submitting its written requisition in form and substance satisfactory to CFC, which shall include a certificate signed by a duly authorized officer of the Borrower as to Borrower's compliance with the terms and conditions hereunder, substantially in the form set forth in 7 C.F.R., Part 1718, Subpart B, "Mortgage for Distribution Borrowers", as amended, superseded or restated.

G. Other Information. Borrower shall have furnished such other information as CFC may reasonably require, including but not limited to (a) information regarding the specific purpose for an Advance and the use thereof, and (b) feasibility studies, cash flow projections, financial analyses and pro forma financial statements sufficient to demonstrate to CFC's reasonable satisfaction that after giving effect to the Advance requested, Borrower shall continue to achieve the all financial ratios set forth herein, to meet all of its debt service obligations, and otherwise to perform and to comply with all other covenants and conditions set forth herein.

H. Financial Ratios. Borrower shall have achieved for each of the two calendar years immediately preceding each Advance, a TIER of not less than 1.5 and a DSC of not less than 1.25, and after taking into account the effect of the Advance, the Borrower shall have Equity greater than or equal to 27 percent of Total Assets on a pro forma basis, and Total Long-Term Debt less than or equal to Net Utility Plant. For purposes of this Section 4.H. only, "TIER", "DSC", "Equity" and "Total Assets" shall have meanings assigned to them in the Mortgage.

I. **Auditor's Certificate.** Prior the first Advance hereunder, Borrower shall provide CFC with a certificate of an independent certified public accountant as to Borrower's compliance with the financial ratios set forth herein, containing the information set forth in 7 C.F.R., Part 1718, Subpart B, "Mortgage for Distribution Borrowers", as amended, superseded or restated.

J. **Special Conditions.** Borrower shall have complied with any special conditions listed in Schedule 1.

ARTICLE V

COVENANTS

Section 5. After the date hereof and until payment in full of all Notes and performance of all obligations of the Borrower hereunder:

A. **Membership.** Borrower agrees that it will remain a member in good standing of CFC.

B. **Financial Ratios; Design of Rates.** The Borrower, subject to events in the judgment of CFC to be beyond the control of the Borrower, shall so operate and manage its business as to achieve a DSC of not less than 1.35, said DSC ratio being determined by averaging the two highest annual ratios during the most recent three calendar years. The Borrower shall design its rates so that such ratios will be achieved. The Borrower shall not decrease its rates for electric service if it has failed to achieve a DSC of 1.35 for the calendar year prior to such reduction subject only to an order from a regulatory body properly exercising jurisdiction over the Borrower.

C. **Annual Certificates.** Within one hundred twenty (120) days after the close of each calendar year, commencing with the year following the year in which the initial Advance hereunder shall have been made, Borrower will deliver to CFC a written statement, in form and substance satisfactory to CFC, signed by Borrower's General Manager, stating that during such year, and that to the best of said person's knowledge, the Borrower has fulfilled all of its obligations under this Agreement, each Note, and the Mortgage throughout such year or, if there has been a default in the fulfillment of any such obligations, specifying each such default known to said person and the nature and status thereof. Borrower shall deliver to CFC within one hundred twenty (120) days of CFC's written request, which shall be no more frequently than once every year, a certification, in form and substance satisfactory to CFC, regarding the condition of the Mortgaged Property both in a form and prepared by a professional engineer satisfactory to CFC. Borrower shall also deliver to CFC such other information as CFC may reasonably request from time to time.

D. **Notice of Change in Place of Business.** Borrower will notify CFC promptly in writing of any change in location of its principal place of business or the office where its records concerning accounts and contract rights are kept.

E. Loan Capital Term Certificate Purchase. Borrower will purchase an LCTC, if required, pursuant to CFC's policies of general application, in an amount not to exceed three percent (3%) of the face amount of each Note. The purchase price of the LCTC, if any, shall be calculated at the time of the initial Advance on a Note pursuant to CFC's policies as established from time to time for loans similarly classified. Such purchase shall be paid for on a *pro rata* basis with each Advance pursuant to CFC's policies. CFC agrees to deliver the LCTC within ninety (90) days following the date on which the LCTC has been paid for in full.

F. Financial Books; Financial Reports; Right of Inspection. The Borrower will at all times keep, and safely preserve, proper books, records and accounts in which full and true entries will be made of all of the dealings, business and affairs of the Borrower, in accordance with generally accepted accounting principles. When requested by CFC, the Borrower will prepare and furnish CFC from time to time, not later than the last day of each month, financial and statistical reports on its condition and operations for the previous month. Such reports shall be in such form and include such information as may be specified by CFC, including without limitation an analysis of Borrower's revenues, expenses and consumer accounts. Within one hundred twenty (120) days of the end of each calendar year during the term hereof, Borrower shall furnish to CFC a full and complete report of its financial condition and statement of its operations as of the end of such calendar year, in form and substance satisfactory to CFC. In addition, within one hundred twenty (120) days of the end of each Borrower's fiscal years during the term hereof, Borrower shall furnish to CFC a full and complete report of its financial condition and statement of its operations as of the end of such fiscal year, audited and certified by independent certified public accountants nationally recognized or otherwise satisfactory to CFC and accompanied by a report of such audit in form and substance satisfactory to CFC. CFC, through its representatives, shall at all times during reasonable business hours and upon prior notice have access to, and the right to inspect and make copies of, any or all books, records and accounts, and any or all invoices, contracts, leases, payrolls, canceled checks, statements and other documents and papers of every kind belonging to or in the possession of the Borrower or in anyway pertaining to its property or business.

G. Limitations on Mergers and Sale, Lease or Transfer of Capital Assets; Application of Proceeds. The Borrower may consolidate with, merge, or sell all or substantially all of its business or assets, to another entity or person provided such action is either approved, as is evidenced by the prior written consent of CFC, or the purchaser, successor or resulting corporation is or becomes a member in good standing of CFC and assumes the due and punctual payment of the Notes and the due and punctual performance of the covenants contained in the Mortgage and this Agreement. Notwithstanding anything in this Agreement to the contrary, in the event that Borrower does not obtain the written consent of CFC prior to consolidating with, merging or selling all or substantially all of its business assets to another entity or person, then CFC may stop advancing funds and limit the CFC Commitment to the amount advanced as of the effective date of such consolidation, merger or sale. If no Event of Default (and no event which with notice or lapse of time and notice would become an Event of Default) shall have occurred and be continuing, Borrower may, without the prior written consent of CFC, sell, lease or transfer any capital asset in exchange for fair market value consideration paid to the Borrower if the value of such capital asset is less than five percent (5%) of Total Utility Plant and the aggregate value of capital assets sold, leased or transferred in any 12-month period is less than ten percent (10%) of Total Utility Plant. Subject to the terms of the Mortgage, if the Borrower does sell, lease or transfer any capital assets, then the proceeds thereof (less ordinary and reasonable expenses incident to such transaction) shall immediately (i) be applied as a prepayment of the Notes, to

such installments as may be designated by CFC at the time of any such prepayment; (ii) in the case of dispositions of equipment, material or scrap, applied to the purchase of other property useful in the Borrower's business, although not necessarily of the same kind as the property disposed of, which shall forthwith become subject to the lien of the Mortgage; or (iii) applied to the acquisition or construction of other property or in reimbursement of the costs of such property.

H. Limitation on Dividends, Patronage Refunds and Other Distributions.

(a) The Borrower may make Distributions in any calendar year if, after giving effect to the Distribution, the total Equity of the Borrower will be at least twenty percent (20%) of its Total Assets.

(b) If, after giving effect to the Distribution, the total Equity of the Borrower will be less than twenty percent (20%) of its Total Assets, then the Borrower may nevertheless make Distributions of up to thirty percent (30%) of its Patronage Capital or Operating Margins for the preceding calendar year.

(c) Notwithstanding anything to the contrary in subparagraphs (a) and (b) above, the Borrower shall not make any Distribution without the prior written consent of CFC if (i) a payment default or other Event of Default under this Agreement has occurred and is continuing, or (ii) after giving effect to the Distribution, the Borrower's total current and accrued assets would be less than its total current and accrued liabilities, or (iii) such Distribution would be in excess of the Distributions permitted by subparagraphs (a) or (b), above.

(d) For purposes of this paragraph H., the term "Distribution" means any dividend, patronage refund, patronage capital retirement or cash distribution to its members, stockholders or consumers (including but not limited to any general cancellation or abatement of charges for electric energy or services furnished by the Borrower). The term "Distribution" shall *not* include (i) a distribution by the Borrower to the estate of a deceased patron, (ii) repayment by the Borrower of a membership fee upon termination of a membership, or (iii) any rebate to a patron resulting from a cost abatement received by the Borrower, such as a reduction of wholesale power cost previously incurred.

I. Limitations on Loans, Investments and Other Obligations.

(a) The Borrower shall not, without first obtaining the written approval of CFC: (i) purchase or make any commitment to purchase any stock, bonds, notes, debentures, or other securities or obligations of or beneficial interests in, (ii) make any other investment in, (iii) make any loan to, or (iv) guarantee, assume, or otherwise become liable for any obligation of any corporation, association, partnership, joint venture, trust, government or any agency or department thereof, or any other entity of any kind if the aggregate amount of all such purchases, investments, loans and guarantees exceeds the greater of fifteen percent (15%) of Total Utility Plant or fifty percent (50%) of Equities and Margins.

(b) The following shall not be included in the limitation of purchases, investments, loans and guarantees in (a) above: (i) bonds, notes, debentures, stock, or other securities or obligations issued by or guaranteed by the United States government or any agency or instrumentality thereof; (ii) bonds, notes, debentures, stock, commercial paper, subordinated capital certificates, or any other security or obligation of institutions whose senior unsecured debt obligations are rated by at least two nationally recognized rating organizations in either of their two highest categories; (iii) investments incidental to loans made by CFC; and (iv) any deposit that is fully insured by the Federal Government.

(c) In no event may the Borrower take any action pursuant to subsection (a) when there is: (i) unpaid any due installment of principal and/or interest on a Note; or (ii) Borrower has failed to meet the financial ratio tests in Section 5.B. herein.

J. Change of Name. Borrower will notify CFC promptly in writing of any change to the name of the Borrower.

K. Notice of Additional Secured Debt. Borrower will notify CFC promptly in writing if it incurs any additional secured indebtedness other than indebtedness to CFC.

L. Funds Requisition; Use of Proceeds. Borrower agrees (a) that CFC may rely conclusively upon the interest rate option, interest rate term and other written instructions submitted to CFC in Borrower's written request for an Advance hereunder, (b) that such instructions shall constitute a covenant under this Agreement to repay the Advance in accordance with such instructions, the applicable Note, the Mortgage and this Agreement, (c) to request Advances only for the purposes set forth herein, and (d) to use the proceeds thereof only in accordance with the terms hereof.

M. Special Affirmative Covenants. Borrower agrees to comply with any special affirmative covenant(s) identified in Schedule 1.

ARTICLE VI

EVENTS OF DEFAULT

Section 6. The following shall be Events of Default under this Agreement:

A. Representations and Warranties. Any representation or warranty made by the Borrower herein, in the Mortgage or in any certificate or financial statement furnished to CFC hereunder which shall prove to be false or misleading in any material respect;

B. Payment. Borrower shall fail to pay any amount due under the terms of a Note or this Agreement within five (5) Business Days of when the same is due and payable, whether by acceleration or otherwise;

C. Other Covenants. Default by the Borrower in the observance or performance of any other covenant or agreement contained in this Loan Agreement, in a Note or the Mortgage, which shall continue for thirty (30) calendar days after written notice thereof shall have been given to the Borrower by CFC;

D. Corporate Existence. The Borrower shall forfeit or otherwise be deprived of its corporate charter, franchises, permits, easements, consents or licenses required to carry on any material portion of its business;

E. Other Obligations. Default by the Borrower in the payment of any obligation, whether direct or contingent, for borrowed money or in the performance or observance of the terms of any instrument pursuant to which such obligation was created or securing such obligation;

F. Bankruptcy. The Borrower shall file a petition in bankruptcy or be adjudicated bankrupt or insolvent, or shall make an assignment for the benefit of its creditors, or shall consent to the appointment of a receiver of itself or of its property, or shall institute proceedings for its reorganization, or proceedings instituted by others for its reorganization shall not be dismissed within sixty (60) days after the institution thereof;

G. Dissolution or Liquidation. Other than as provided in subsection F. above, the dissolution or liquidation of the Borrower, or failure by the Borrower promptly to forestall or remove any execution, garnishment or attachment of such consequence as will impair its ability to continue its business or fulfill its obligations and such execution, garnishment or attachment shall not be vacated within sixty (60) days. The term "dissolution or liquidation of the Borrower", as used in this subsection, shall not be construed to include the cessation of the corporate existence of the Borrower resulting either from a merger or consolidation of the Borrower into or with another corporation following a transfer of all or substantially all its assets as an entirety, under the conditions set forth in Section 5.G.

H. Final Judgment. A final judgment in excess of \$100,000 shall be entered against the Borrower and shall remain unsatisfied or without a stay for a period of sixty (60) days.

ARTICLE VII

REMEDIES

Section 7. If any of the Events of Default listed in Section 6 hereof shall occur after the date of this Agreement and shall not have been remedied, then CFC may pursue all rights and remedies available to CFC that are contemplated by this Agreement, the Mortgage or any of the Notes in the manner, upon the conditions, and with the effect provided in this Agreement, the Mortgage or any of the Notes, including, but not limited to, a suit for specific performance, injunctive relief or damages. Nothing herein shall limit the right of CFC to pursue all rights and legal and equitable remedies available to a creditor following the occurrence of an Event of Default listed in Section 6 hereof. Each right, power and remedy of CFC shall be cumulative and concurrent, and recourse to one or more rights or remedies shall not constitute a waiver of any other right, power or remedy.

ARTICLE VIII

MISCELLANEOUS

Section 8.1. Notices. All notices, requests and other communications provided for herein including, without limitation, any modifications of, or waivers, requests or consents under, this Agreement shall be given or made in writing (including, without limitation, by telecopy) and delivered or telecopied to the intended recipient at the "Address for Notices" specified below, or, as to any party, at such other address as shall be designated by such party in a notice to each other party. Except as otherwise provided in this Agreement, all such communications shall be deemed to have been duly given when personally delivered or, in the case of a telecopied or mailed notice, upon receipt, in each case given or addressed as provided for herein. The Address for Notices of the respective parties are as follows:

National Rural Utilities Cooperative Finance Corporation
2201 Cooperative Way
Herndon, Virginia 20171-3025
Attention: Governor

Fax: (703) 709-6776

Borrower: the address set forth in Schedule 1

Section 8.2. Expenses. The Borrower will pay all costs and expenses of CFC, including reasonable fees of counsel, incurred in connection with the enforcement of this Agreement, the Note(s), the Mortgage and the other instruments provided for herein or with the preparation for such enforcement if CFC has reasonable grounds to believe that such enforcement may be necessary.

Section 8.3. Late Payments. If payment of any amount due hereunder is not received at CFC's office in Herndon, Virginia, or such other location as CFC may designate to the Borrower within five (5) Business Days after the due date thereof or such other time period as CFC may prescribe from time to time in its policies of general application in connection with any late payment charge (such unpaid amount being herein called the "delinquent amount", and the period beginning after such due date until payment of the delinquent amount being herein called the "late-payment period"), the Borrower will pay to CFC, in addition to all other amounts due under the terms of a Note, the Mortgage and this Agreement, any late-payment charge as may be fixed by CFC from time to time on the delinquent amount for the late-payment period.

Section 8.4. Filing Fees. To the extent permitted by law, the Borrower agrees to pay all expenses of CFC (including the fees and expenses of its counsel) in connection with the filing or recordation of the Mortgage, all financing statements and instruments as may be required by CFC in connection with this Agreement, including, without limitation, any supplements, amendments or restatements thereto, all documentary stamps, recordation and transfer taxes and other costs and taxes incident to recordation of any document or instrument in connection herewith. Borrower

agrees to save harmless and indemnify CFC from and against any liability resulting from the failure to pay any required documentary stamps, recordation and transfer taxes, recording costs, or any other expenses incurred by CFC in connection with this Agreement. The provisions of this subsection shall survive the execution and delivery of this Agreement and the payment of all other amounts due hereunder or due on a Note.

Section 8.5. No Waiver. No failure on the part of CFC to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof nor shall any single or partial exercise by CFC of any right hereunder preclude any other or further exercise thereof or the exercise of any other right.

SECTION 8.6. GOVERNING LAW; SUBMISSION TO JURISDICTION; WAIVER OF JURY TRIAL.

(a) THE PERFORMANCE AND CONSTRUCTION OF THIS AGREEMENT AND THE NOTES SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE COMMONWEALTH OF VIRGINIA.

(b) BORROWER HEREBY SUBMIT(S) TO THE NONEXCLUSIVE JURISDICTION OF THE UNITED STATES COURTS LOCATED IN VIRGINIA AND OF ANY STATE COURT SO LOCATED FOR PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. BORROWER IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE ESTABLISHING OF THE VENUE OF ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

(c) EACH OF THE BORROWER AND CFC HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

Section 8.7. Holiday Payments. If any payment to be made by the Borrower hereunder shall become due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall be included in computing any interest in respect of such payment.

Section 8.8. Modifications. No modification or waiver of any provision of this Agreement or a Note, and no consent to any departure by Borrower therefrom, shall in any event be effective unless the same shall be in writing by the party granting such modification, waiver or consent.

Section 8.9. Merger and Integration. This Agreement (including the Recitals and all exhibits and schedules hereto), the instructions contained in the written funds requisition statement with respect to each Advance, and matters incorporated by reference herein together contain the entire agreement of the parties hereto with respect to the matters covered and the transactions contemplated hereby.

Section 8.10. Headings. The headings and sub-headings contained in the titling of this Agreement are intended to be used for convenience only and do not constitute part of this Agreement.

Section 8.11. Severability. If any term, provision or condition, or any part thereof, of this Agreement, any Note or the Mortgage shall for any reason be found or held invalid or unenforceable by any governmental agency or court of competent jurisdiction, such invalidity or unenforceability shall not affect the remainder of such term, provision or condition nor any other term, provision or condition, and this Agreement, any Note, and the Mortgage shall survive and be construed as if such invalid or unenforceable term, provision or condition had not been contained therein.

Section 8.12. Right of Setoff. Upon the occurrence and during the continuance of any Event of Default, CFC is hereby authorized at any time and from time to time, without prior notice to the Borrower, to exercise rights of setoff or recoupment and apply any and all amounts held, or hereafter held, by CFC or owed to the Borrower or for the credit or account of the Borrower against any and all of the obligations of the Borrower now or hereafter existing hereunder or under any Note. CFC agrees to notify the Borrower promptly after any such setoff or recoupment and the application thereof, provided that the failure to give such notice shall not affect the validity of such setoff, recoupment or application. The rights of CFC under this section are in addition to any other rights and remedies (including other rights of setoff or recoupment) which CFC may have. Borrower waives all rights of setoff, deduction, recoupment or counterclaim.

Section 8.13. Prior Loan Documents. It is understood and agreed that with respect to all long-term loan agreements previously entered into by and between CFC and Borrower and all promissory notes thereto secured under the Mortgage (both hereinafter being referred to as "Prior Loan Documents") the Borrower shall be required, after the date hereof, to meet reporting and financial covenants as set forth in this Agreement rather than those set forth in the Prior Loan Documents. In the event of any conflict between any reporting and financial covenant set forth in a Prior Loan Document and any reporting and financial covenant in this Agreement, the requirements as set forth in this Agreement shall apply. Nothing in this section shall, however, eliminate or modify any special condition, special affirmative covenant or special negative covenant, if any, unless specifically agreed to in writing by CFC. Furthermore, the interest rate options available to Borrower as set forth in this Agreement shall supersede the interest rate options as set forth in any Prior Loan Documents.

Section 8.14. Schedule 1. Schedule 1 attached hereto is an integral part of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION

(SEAL)

By: _____

Title: _____


Attest: _____
Secretary

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION

(SEAL)

By: Robert D. Stephens
Assistant Secretary-Treasurer

ROBERT D. STEPHENS

Attest: 
Assistant Secretary-Treasurer
CHRISTOPHER C. JEFFRIES

SCHEDULE 1

1. Borrower shall use the proceeds of the loan only for Eligible Property Additions, as such term is defined in 7 C.F.R., Part 1718, Subpart B, "Mortgage for Distribution Borrowers", as the same may be amended, superseded or restated from time to time.
2. The aggregate CFC Commitment is \$13,000,000.00. Within this aggregate amount, Borrower may, at its discretion, execute one or more Notes, each Note representing a separate loan with CFC and containing a face amount and Maturity Date in accordance with the terms, conditions and provisions of this Agreement.
3. The Mortgage shall mean the Restated Mortgage and Security Agreement dated as of May 1, 1997, by and among the Borrower, the Government and CFC, as it may have been or shall be supplemented, amended, consolidated, or restated from time to time.
4. The Payment Date months are February, May, August and November.
5. The date of the Borrower's balance sheet referred to in Section 2.D. is December 31, 1997.
6. The principal place of business of the Borrower referred to in Section 2.E. and Section 8.1 is 411 Ring Road, Elizabethtown, Kentucky 42701.
7. The property of the Borrower referred to in Section 2.F. is located in the counties of Breckenridge, Bullitt, Grayson, Green, Hardin, Hart, LaRue, Meade and Taylor in the Commonwealth of Kentucky.
8. The special condition(s) referred to in Section 4.I. is (are): none.
9. The special affirmative covenant(s) referred to in Section 5.M. is (are): none.
10. The governmental authority referred to in Section 2.H. is: Public Service Commission of Kentucky, if applicable.
11. The Borrower selects the following number of Loans, the amount of each Loan and the amortization method for each Loan:

LOAN NUMBER	AMOUNT	AMORTIZATION METHOD
KY 51-A-9026	\$13,000,000.00	As selected by Borrower in a written funds requisition at the time of each Advance.

12. **Special Provision Regarding Supplemental Financing:** Notwithstanding anything to the contrary in this Agreement, if the Borrower intends to use any Advance hereunder to supplement a further loan to Borrower by RUS ("Concurrent Loan") pursuant to a loan agreement by and between Borrower and RUS ("Concurrent RUS Loan Agreement"), providing for a loan not to exceed the maximum aggregate principal amount set forth in Borrowers loan application with respect thereto ("Concurrent Loan Application"), then the Borrower hereby agrees as follows:

A. The Advance and the Concurrent Loan shall have the same amortization method and term.

B. As further conditions to CFC's obligation to make such Advance:

1. *Prior to the date of such Advance*, Borrower shall have furnished to CFC true and complete copies of:

(a) Borrower's Concurrent Loan Application to RUS; and

(b) Borrower's financial and statistical reports to the RUS on RUS Form 7 (or any successor form) for the month of December for each of the three (3) most recent calendar years, and a copy of its most recent such report on RUS Form 7 (or any successor form), and by submitting such reports, Borrower shall be deemed to have represented and warranted to CFC that the facts stated therein are true.

2. *On the date of such Advance*, (a) there shall have been no material adverse change in the facts stated in the RUS Form 7 (or any successor form) submitted in connection with the Advance, (b) Borrower shall not be in default of any of its obligations to RUS, and (c) by accepting such Advance, Borrower shall be deemed to have represented and warranted as to the facts set forth in (a) and (b) above.

C. As a further covenant hereunder, Borrower shall, as soon as practicable following approval of its Concurrent Loan Application, deliver to CFC a true, complete, and fully executed copy of the Concurrent RUS Loan Agreement and related promissory note executed by Borrower and payable to RUS, evidencing Borrower's obligations pursuant thereto, in maximum principal amount not to exceed the amount set forth in Borrower's Concurrent Loan Application.

Supp. to Common RUS-CFC Elec. Mtg.
(No Debt Limit Increase)
(Outstanding RUS, CFC and FFB Notes)
(SRM-FFB.OUT)

BOOK 718 PAGE 001

11/94

135167

SUPPLEMENT, dated as of July 13, 1995, to RESTATED MORTGAGE AND SECURITY AGREEMENT made by and among NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION (hereinafter called the "Mortgagor"), a corporation existing under the laws of the Commonwealth of Kentucky, UNITED STATES OF AMERICA (hereinafter called the "Government") acting through the Administrator of the Rural Utilities Service (hereinafter called "RUS"), successor to the Administrator of the Rural Electrification Administration and NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION (hereinafter called "CFC"), a corporation existing under the laws of the District of Columbia (the Government and CFC being hereinafter sometimes collectively called the "Mortgagees").

WHEREAS, pursuant to Public Law No. 103-354, the Rural Utilities Service (hereinafter sometimes called "RUS") is the successor to the Rural Electrification Administration (hereinafter sometimes called "REA") and the Administrator of the Rural Utilities Service is the successor to the Administrator of the Rural Electrification Administration and, for the purposes of the security instruments (hereinafter collectively called the Mortgage) made by the Mortgagor to the Mortgagees, and identified in the seventh recital hereof (hereinafter called the "Instruments Recital"), as amended, the terms "REA" and "Administrator" shall be deemed to mean respectively "RUS" and "Administrator of the RUS;" and

RUS Project Designation: KENTUCKY 51-AE61 HARDIN

THE DEBTOR AS MORTGAGOR IS A TRANSMITTING UTILITY.

THIS INSTRUMENT WAS PREPARED BY GEORGANN GUTTERIDGE, ATTORNEY, ELECTRIC AND TELEPHONE DIVISION, OFFICE OF THE GENERAL COUNSEL, U. S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D. C. 20250-1400.

Georgann Gutteridge

No. 1

Exhibit #7

11/11 Secret

Supp. to Common RUS-CFC Elec. Mtg.
(No Debt Limit Increase)
(Outstanding RUS, CFC and FFB Notes)
(SRM-FFB.OUT)

BOOK 718 PAGE 662

11/94

WHEREAS, the Mortgagor, for value received, has heretofore duly authorized and executed, and has delivered to the Government, or has assumed the payment of, certain mortgage notes all payable in installments to the order of, or obligating the Mortgagor otherwise to the Government, of which the certain mortgage notes (hereinafter collectively called the "Outstanding RUS Notes") identified in the Instruments Recital are now outstanding and held by the Government, all of which Outstanding RUS Notes evidence loans made by the Government either to the Mortgagor or to third parties to finance electric plants, lines and related facilities, and assumed by the Mortgagor, or loans made by one or more legally organized lending agencies and guaranteed by the Government; and

WHEREAS, the Mortgagor, for value received, has heretofore duly authorized and executed, and has delivered to CFC, or has assumed the payment of, a certain mortgage note, or certain mortgage notes, all payable to the order of CFC, in installments, of which the certain mortgage note or notes (hereinafter collectively called the "Outstanding CFC Note(s)") identified in the Instruments Recital are now outstanding and owned by CFC (the Outstanding RUS Notes and the Outstanding CFC Note(s) being hereinafter collectively called the "Outstanding Notes"); and

WHEREAS, the Outstanding Notes are secured by the Mortgage and are identified in the Instruments Recital; and

WHEREAS, the Mortgagor has determined to borrow additional funds from the Government, and has accordingly duly authorized, executed and delivered to the Government its mortgage note or notes (identified in the Instruments Recital and hereinafter collectively called the "Concurrent RUS Note(s)") to be secured by the Mortgage, as amended and supplemented hereby, of the property hereinafter described; and

WHEREAS, the Mortgagor has determined to borrow additional funds from CFC, and has accordingly duly authorized, executed and delivered to CFC its mortgage note or notes (identified in the Instruments Recital and hereinafter collectively called the "Concurrent CFC Note") to be secured by the Mortgage, as amended and supplemented hereby, of the property hereinafter described; and

WHEREAS, the instruments referred to in the preceding recitals are hereby identified as follows:

Supp. to Common RUS-CFC Elec. Mtg.
(No Debt Limit Increase)
(Outstanding RUS, CFC and FFB Notes)
(SRM-FFB.OUT)

BOOK 718 PAGE 663

11/94

INSTRUMENTS RECITAL

"Concurrent RUS Note": (Of even date herewith):

<u>Principal Amount</u>	<u>Interest Rate</u> (per annum)	<u>Final Payment Date</u>
\$3,480,000	Determined by Advance	Thirty-five (35) years from the date thereof

"Concurrent CFC Note": (Of even date herewith):

<u>Principal Amount</u>	<u>Interest Rate</u> (per annum)	<u>Final Payment Date</u>
\$1,492,000	variable	Thirty-five (35) years from the date thereof

"Outstanding RUS Notes":

Thirteen (13) certain mortgage notes in an aggregate principal amount of \$12,990,000, all of which will finally mature on or before September 10, 2027.

One (1) certain mortgage note in an aggregate principal amount of \$2,000,000, payable to the Federal Financing Bank,* which will finally mature on or before December 31, 2025.

"Outstanding CFC Note(s)":

Ten (10) certain mortgage notes in an aggregate principal amount of \$4,709,633, all of which will finally mature on or before September 10, 2027.

"Mortgage":

<u>Instrument</u>	<u>Date</u>
Restated Mortgage and Security Agreement	December 20, 1991

*For purposes of this Mortgage, the Government is the Noteholder.

Supp. to Common RUS-CFC Elec. Mtg.
(No Debt Limit Increase)
(Outstanding RUS, CFC and FFB Notes)
(SRM-FFB.OUT)

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WHEREAS, the Government is the owner of the Outstanding RUS Notes; CFC is the owner of the Outstanding CFC Note(s); and the Mortgagees are the owners of the Mortgage; and

WHEREAS, it was the intention of the Mortgagor at the time of the execution of the Mortgage (or, if the Mortgage consists of more than one instrument, at the time of the execution of the earliest instrument thereof) that the property of the Mortgagor of the classes described therein, as being mortgaged or pledged thereby, or intended so to be, whether then owned or thereafter acquired, would secure certain notes of the Mortgagor executed and delivered prior to the execution and delivery of the Mortgage (or, if the Mortgage consists of more than one instrument, prior to the execution and delivery of the earliest instrument thereof), and certain notes of the Mortgagor when and as executed and delivered under and pursuant to the Mortgage, as from time to time amended or supplemented, and it is intended by the Mortgagor to confirm hereby the Mortgage and the property therein described as being mortgaged or pledged, or intended so to be, as security for the Outstanding Notes, and other notes of the Mortgagor when and as executed and delivered under and pursuant to the Mortgage, as amended and supplemented hereby; and

WHEREAS, the Mortgage provides that the Mortgagor shall, upon the written demand of the Government or CFC duly authorize, execute, and deliver and record and file all such supplemental mortgages and conveyances as may reasonably be requested by the Government or CFC to effectuate the intention of the Mortgage and to provide for the conveying, mortgaging and pledging of the property of the Mortgagor intended to be conveyed, mortgaged or pledged by the Mortgage to secure the payment of the principal of and interest on notes executed and delivered thereunder and pursuant thereto, or otherwise secured thereby, the Government and CFC have in writing requested the execution and delivery of this Supplement (hereinafter called "this Supplemental Mortgage") to the Mortgage pursuant to such provision; and

WHEREAS, it is further intended by the Mortgagor, at the request and with the consent of the Mortgagees, to amend the Mortgage in the respects hereinafter set forth; and

WHEREAS, all acts, things, and conditions prescribed by law and by the articles of incorporation and bylaws of the Mortgagor have been duly performed and complied with to authorize the execution and delivery hereof and to make the Mortgage, as amended and supplemented hereby, a valid and binding mortgage to secure the Outstanding Notes and other notes of the Mortgagor when and as executed and delivered under and pursuant to the Mortgage, as amended and supplemented hereby; and

Supp. to Common RUS-CFC Elec. Mtg.
(No Debt Limit Increase)
(Outstanding RUS, CFC and FFB Notes)
(SRM-FFB.OUT)

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11/94

WHEREAS, the Government and CFC are authorized to enter into this Supplemental Mortgage; and

WHEREAS, to the extent that any of the property described or referred to herein or in the Mortgage is governed by the provisions of the Uniform Commercial Code of any state (hereinafter called the "Uniform Commercial Code"), the parties hereto desire that this Supplemental Mortgage and the Mortgage collectively be regarded as a "security agreement" under the Uniform Commercial Code and that this Supplemental Mortgage be regarded as a "financing statement" under the Uniform Commercial Code for said security agreement.

NOW, THEREFORE, in consideration of the premises and the sum of \$5 in hand paid by the Mortgagees to the Mortgagor, the receipt whereof by the Mortgagor prior to the execution and delivery of this Supplemental Mortgage is hereby acknowledged, this Supplemental Mortgage witnesseth as follows:

1. The Mortgagor has executed and delivered this Supplemental Mortgage and has granted, bargained, sold, conveyed, warranted, assigned, transferred, mortgaged, pledged and set over, and by these presents does hereby grant, bargain, sell, convey, warrant, assign, transfer, mortgage, pledge and set over, unto the Mortgagees and their respective assigns, all and singular the real and personal property described in the Mortgage as being mortgaged thereby and all and singular the real and personal property of the Mortgagor falling within the classes of property embraced in the description of the "Mortgaged Property" set forth in the Mortgage, including, without limitation, all and singular the real and personal property of said description heretofore or hereafter acquired by or constructed by or on behalf of the Mortgagor, and wheresoever situate, including, without limitation, the "Existing Electric Facilities" identified and the real estate specifically described (by reference to deeds or otherwise) in the Mortgage and mortgaged thereby (except such portions, if any, thereof as have been released prior to the execution and delivery of this Supplemental Mortgage), and, including, without limitation, the following described property, located in the Counties of Breckenridge, Bullitt, Grayson, Green, Hardin, Hart, Larue, Meade and Taylor, in the Commonwealth of Kentucky:

TO WIT:

BOOK 718 PAGE 666

1. A certain tract of land was deeded on March 10, 1948 to Nolin Rural Electric Cooperative Corporation by Stokley Bowling and Jessie Bowling, his wife, and was recorded on April 16, 1948 in the office of the Clerk of the County Court of Hardin in the state of Kentucky in Deed Book number 124, on page 520.
2. A certain tract of land was deeded on March 10, 1948 to Nolin Rural Electric Cooperative Corporation by P. B. Milburn and Godsy Milburn, his wife, and was recorded on April 16, 1948 in the office of the clerk of the County Court of Hardin in the state of Kentucky in Deed Book number 124, on page 517.
3. A certain tract of land was deeded on March 10, 1948 to Nolin Rural Electric Cooperative Corporation by P. B. Milburn, Godsy Milburn, his wife, Stokley Bowling and Jessie Bowling, his wife, and was recorded on April 16, 1948, in the office of the Clerk of the County Court of Hardin in the state of Kentucky in Deed Book number 124, on page 518.
4. A certain tract of land was deeded on December 18, 1954 to Nolin Rural Electric Cooperative Corporation by Ree Miller and Ben Miller, her husband, and was recorded on December 20, 1954 in the office of the Clerk of the County Court of Hardin in the state of Kentucky in Deed Book number 145, on page 230.
5. A certain tract of land was deeded on February 26, 1970 to Nolin Rural Electric Cooperative Corporation by Wayne G. Overall, Jr., and Nancy J. Overall, his wife and was recorded on March 4, 1970 in the office of the Clerk of the County Court of Hardin in the state of Kentucky in Deed Book number 224, on pages 1 and 2.

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6. A certain tract of land was deeded on September 26, 1979 to Nolin Rural Electric Cooperative Corporation by Howard Pierce and Lorene Pierce, his wife, and was recorded on October 1, 1979, in the office of the Clerk of the County Court of Hardin in the state of Kentucky in Deed Book 382 on pages 152 and 153.
7. A certain tract of land was deeded on January 11, 1993 to Nolin Rural Electric Cooperative Corporation by Teri Foster Adams and Theresa Marie Adams, his wife, and was recorded on January 11, 1993, in the office of the Clerk of the County Court of Hardin in the state of Kentucky in Deed Book 751 on pages 709-712.
8. A certain tract of land was deeded on April 8, 1993 to Nolin Rural Electric Cooperative Corporation by Elizabethtown Industrial Foundation, Inc., a Kentucky-Non-Profit Corporation, and was recorded on April 8, 1993, in the office of the Clerk of the County Court of Hardin in the state of Kentucky in Deed Book 757 on pages 521-523.

TOGETHER WITH all plants, works, structures, erections, reservoirs, dams, buildings, fixtures and improvements now or hereafter located on any of the properties conveyed by any and all of the aforesaid deeds mentioned above and all tenements, hereditaments and appurtenances now or hereafter thereunto belonging or in anywise appertaining.

The description of each of the properties conveyed by and through the provisions of the aforesaid deeds is by reference made a part hereof as though fully set forth at length herein.

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RUS PROJECT DESIGNATION:

Kentucky 51-AF61 Hardin

RESTATED MORTGAGE & SECURITY AGREEMENT

made by and among

NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION
612 East Dixie Avenue
Elizabethtown, Kentucky 42701-1094.

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

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, AFTER-ACQUIRED PROPERTY,
PROCEEDS, FUTURE ADVANCES AND FUTURE OBLIGATIONS.
NOTICE - THIS MORTGAGE SECURES CREDIT IN THE AMOUNT OF UP TO \$50,000,000.00.
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 GEORGANN GUTTERIDOE, AS ATTORNEY FOR UNITED STATES DEPARTMENT OF
AGRICULTURE, RURAL UTILITIES SERVICE, WASHINGTON, D.C. 20250-1500.

g. gutteridge

No. 14

Generated: April 23, 1997

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Exhibit # 8.

John Clott (Box)

BOOK 799 PAGE 320

RESTATED MORTGAGE AND SECURITY AGREEMENT, dated as of May 1, 1997, (hereinafter sometimes called this "Mortgage") is made by and among NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION (hereinafter called the "Mortgagor"), a corporation existing under the laws of the State 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, as well as any and all other lenders pursuant to Article II of this Mortgage that enter into a supplemental mortgage in accordance with Section 2.04 of Article II hereof (the Government and CFC and any such other lenders being herein 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 dated as of December 20, 1991, as supplemented, amended or restated (the "Original Mortgage" identified in Schedule "A" of this Mortgage) originally entered into among the Mortgagor, the Government acting by and through the Administrator of the Rural Electrification Administration, the predecessor of RUS, and CFC;

WHEREAS, the Mortgagor deems it necessary to borrow money for its corporate purposes and to issue its promissory notes and other debt obligations therefor from time to time in one or more series, and to mortgage and pledge its property hereinafter described or mentioned to secure the payment of the same;

WHEREAS, the Mortgagor desires to enter into this Mortgage pursuant to which all secured debt of the Mortgagor hereunder shall be secured on parity;

WHEREAS, this Mortgage restates and consolidates the Original Mortgage while preserving the priority of the Lien under the Original Mortgage securing the payment of Mortgagor's outstanding obligations secured under the Original Mortgage, which indebtedness is described more particularly by listing the Original Notes in Schedule "A" hereto; and

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

NOW, THEREFORE, THIS MORTGAGE WITNESSETH: That to secure the payment of the principal of (and premium, if any) and interest on the Original 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 and lien 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, now 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:

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GRANTING CLAUSE FIRST

- 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;
- B. all of the Mortgagor'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 (as herein defined) located in the Counties listed in Schedule "B" hereto;
- C. all right, title and interest of the Mortgagor in and to those contracts of the Mortgagor
 - (i) relating to the ownership, operation or maintenance of any generation, transmission or distribution facility owned, whether solely or jointly, by the Mortgagor,
 - (ii) for the purchase of electric power and energy by the Mortgagor and having an original term in excess of 3 years,
 - (iii) for the sale of electric power and energy by the Mortgagor 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 Mortgagor 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 Schedule "B" are hereby made a part of, and deemed to be described in, this Granting Clause as fully as if set forth in this Granting 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 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 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 Mortgagor 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:

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GRANTING CLAUSE SECOND

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 may be hereafter acquired by the Mortgagor, but excluding Excepted Property, now owned or which may be hereafter acquired by the Mortgagor, it being the intention hereof that all property, rights, privileges, allowances and franchisees now owned by the Mortgagor or acquired by the Mortgagor 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.

GRANTING CLAUSE THIRD

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 Mortgagor or by anyone in its behalf, and any Mortgagee is hereby authorized to receive the same at any time as additional security hereunder for the benefit of all the Mortgagees. 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 Mortgagor or the person so acting in its behalf or by such Mortgagee respecting the use and disposition of such property or the proceeds thereof.

GRANTING CLAUSE FOURTH

Together with (subject to the rights of the Mortgagor set forth on Section 5.01) 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 property subjected or required to be subjected to the lien of this Mortgage, and all other property of any nature appertaining to any of the plants, systems, business or operations of the Mortgagor, 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 Mortgagor, and all the estate, right, title and interest of every nature whatsoever, at law as well as in equity, of the Mortgagor in and to the same and every part thereof (other than Excepted Property with respect to any of the foregoing).

EXCEPTED PROPERTY

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

- A. all shares of stock, securities or other interests of the Mortgagor in the National Rural Utilities Cooperative Finance Corporation, CoBank, ACB, its predecessors in interest and the St. Paul Bank for Cooperatives other than any stock, securities or other interests that are specifically described in Subclause D of Granting 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, and all tools, accessories and supplies used in connection with any of the foregoing.

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- 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 Mortgagor under leases for an original term (including any period for which the Mortgagor 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 Mortgagor and whether falling within a general or specific description of property herein: PROVIDED, HOWEVER, that the Mortgagor covenants and agrees that it will hold each such last day in trust for the use and benefit of all of the Mortgagees and Noteholders and that it will dispose of each such last day from time to time in accordance with such written order as the Mortgagee 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 this Mortgage, whether now owned or hereafter acquired by the Mortgagor, which by their terms or by reason of applicable law would become void or voidable if mortgaged or pledged hereunder by the Mortgagor, or which cannot be granted, conveyed, mortgaged, transferred or assigned by this Mortgage without the consent of other parties whose consent has been withheld, or without subjecting any Mortgagee to a liability not otherwise contemplated by the provisions of this Mortgage, or which otherwise may not be, hereby lawfully and effectively granted, conveyed, mortgaged, transferred and assigned by the Mortgagor; and
- J. the property identified in Schedule "C" hereto.

PROVIDED, HOWEVER, that (i) if, upon the occurrence of an Event of Default, any Mortgagee, or any receiver appointed pursuant to statutory provision or order of court, shall have entered into possession of all or substantially all of the Mortgaged Property, all the Excepted Property described or referred to in the foregoing Subdivisions A through H, inclusive, then owned or thereafter acquired by the Mortgagor shall immediately, and, in the case of any Excepted Property described or referred to in Subdivisions I through J, inclusive, upon demand of any Mortgagee or such receiver, become subject to the lien hereof to the extent permitted by law, and any Mortgagee 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 Mortgaged Property shall have been restored to the Mortgagor, such Excepted Property shall again be excepted and excluded from the lien hereof to the extent and otherwise as hereinabove set forth.

However, pursuant to Granting Clause Third, the Mortgagor may subject to the lien of this Mortgage any Excepted Property, whereupon the same shall cease to be Excepted Property.

HABENDUM

TO HAVE AND TO HOLD all said property, rights, privileges and franchises of every kind and description, real, personal or mixed, hereby and hereafter (by supplemental mortgage or otherwise) granted, bargained, sold, aliened, remised, released, conveyed, assigned, transferred, mortgaged, encumbered, hypothecated, pledged, set over, confirmed, or subjected to a continuing security interest and lien as aforesaid, together with all the

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appurtenances thereto appertaining (said properties, rights, privileges and franchises, including any cash and securities hereafter deposited with any Mortgagee ((other than any such cash, if any, which is specifically stated herein not to be deemed part of the Mortgaged Property)), being herein collectively called the "Mortgaged Property") unto the Mortgagees and the respective assigns of the Mortgagees forever, to secure equally and ratably the payment of the principal of (and premium, if any) and interest on the Notes, according to their terms, without preference, priority or distinction as to interest or principal (except as otherwise specifically provided herein) or as to lien or otherwise of any Note over any other Note by reason of the priority in time of the execution, delivery or maturity thereof or of the assignment or negotiation thereof, or otherwise, and to secure the due performance of all of the covenants, agreements and provisions herein and in the Loan Agreements contained, and for the uses and purposes and upon the terms, conditions, provisos and agreements hereinafter expressed and declared.

SUBJECT, HOWEVER, to Permitted Encumbrances (as defined in Section 1.01).

ARTICLE I

DEFINITIONS & OTHER PROVISIONS OF GENERAL APPLICATION

Section 1.01. Definitions.

In addition to the terms defined elsewhere in this Mortgage, the terms defined in this Article I shall have the meanings specified herein and under the UCC, unless the context clearly requires otherwise. The terms defined herein include the plural as well as the singular and the singular as well as the plural.

Accounting Requirements shall mean the requirements of any system of accounts prescribed by RUS so long as the Government is the holder, insurer or guarantor of any Notes, or, in the absence thereof, the requirements of generally accepted accounting principles applicable to businesses similar to that of the Mortgagor.

Additional Notes shall mean any Government Notes issued by the Mortgagor to the Government and any Notes issued by the Mortgagor to any other lender, in either case pursuant to Article II of this Mortgage, including any refunding, renewal, or substitute Notes or Government Notes which may from time to time be executed and delivered by the Mortgagor pursuant to the terms of Article II.

Board shall mean either the Board of Directors or the Board of Trustees, as the case may be, of the Mortgagor.

Business Day shall mean any day that the Government is open for business.

Debt Service Coverage Ratio ("DSC") shall mean the ratio determined as follows: for each calendar year add

- (i) Patronage Capital or Margins of the Mortgagor,
- (ii) Interest Expense on Total Long Term Debt of the Mortgagor (as computed in accordance with the principles set forth in the definition of TIER) and
- (iii) Depreciation and Amortization Expense of the Mortgagor, and divide the total so obtained by an amount equal to the sum of all payments of principal and interest required to be made on account of Total Long-Term Debt during such calendar year

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increasing said sum by any addition to interest expense on account of Restricted Rentals as computed with respect to the Times Interest Earned Ratio herein.

Depreciation and Amortization Expense shall mean an amount constituting the depreciation and amortization of the Mortgagor as computed pursuant to Accounting Requirements.

Electric System shall mean, and shall be broadly construed to encompass and include, all of the Mortgagor's interests in all electric production, transmission, distribution, conservation, load management, general plant and other related facilities, equipment or property and in any mine, well, pipeline, plant, structure or other facility for the development, production, manufacture, storage, fabrication or processing of fossil, nuclear or other fuel of any kind or in any facility or rights with respect to the supply of water, in each case for use, in whole or in major part, in any of the Mortgagor's generating plants, now existing or hereafter acquired by lease, contract, purchase or otherwise or constructed by the Mortgagor, including any interest or participation of the Mortgagor in any such facilities or any rights to the output or capacity thereof, together with all additions, betterments, extensions and improvements to such Electric System or any part thereof hereafter made and together with all lands, easements and rights-of-way of the Mortgagor and all other works, property or structures of the Mortgagor and contract rights and other tangible and intangible assets of the Mortgagor used or useful in connection with or related to such Electric System, including without limitation a contract right or other contractual arrangement referred to in Granting Clause First, Subclause C, but excluding any Excepted Property.

Environmental Law and Environmental Laws shall mean all federal, state, and local laws, regulations, and requirements related to protection of human health or the environment, including but not limited to the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (42 U.S.C. 9601 et seq.), the Resource Conservation and Recovery Act (42 U.S.C. 6901 et seq.), the Clean Water Act (33 U.S.C. 1251 et seq.) and the Clean Air Act (42 U.S.C. 7401 et seq.), and any amendments and implementing regulations of such acts.

Equity shall mean the total margins and equities computed pursuant to Accounting Requirements, but excluding any Regulatory Created Assets.

Event of Default shall have the meaning specified in Section 4.01 hereof.

Excepted Property shall have the meaning stated in the Granting Clauses.

Government shall mean the United States of America acting by and through the Administrator of RUS or REA and shall include its successors and assigns.

Government Notes shall mean the Original Notes, and any Additional Notes, issued by the Mortgagor to the Government, or guaranteed or insured as to payment by the Government.

Independent shall mean when used with respect to any specified person or entity means such a person or entity who (1) is in fact independent, (2) does not have any direct financial interest or any material indirect financial interest in the Mortgagor or in any affiliate of the Mortgagor and (3) is not connected with the Mortgagor as an officer, employee, promoter, underwriter, trustee, partner, director or person performing similar functions.

Interest Expense shall mean an amount constituting the interest expense of the Mortgagor as computed pursuant to Accounting Requirements.

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Lien shall mean any statutory or common law or non-consensual mortgage, pledge, security interest, encumbrance, lien, right of set off, claim or charge of any kind, including, without limitation, any conditional sale or other title retention transaction, any lease transaction in the nature thereof and any secured transaction under the UCC.

Loan Agreement shall mean any agreement executed by and between the Mortgagor and the Government or any other lender in connection with the execution and delivery of any Notes secured hereby.

Long-Term Debt shall mean any amount included in Total Long-Term Debt pursuant to Accounting Requirements.

Long-Term Lease shall mean a lease having an unexpired term (taking into account terms of renewal at the option of the lessor, whether or not such lease has previously been renewed) of more than 12 months.

Margins shall mean the sum of amounts recorded as operating margins and non-operating margins as computed in accordance with Accounting Requirements.

Maximum Debt Limit, if any, shall mean the amount more particularly described in Schedule "A" hereof.

Mortgage shall mean this Restated Mortgage and Security Agreement, including any amendments or supplements thereto from time to time.

Mortgaged Property shall have the meaning specified as stated in the Habendum to the Granting Clauses.

Mortgagee or Mortgagees shall mean the parties identified in the first paragraph of this instrument as the Mortgagees, as well as any and all other entities that become a Mortgagee pursuant to Article II of this Mortgage by entering into a supplemental mortgage in accordance with Section 2.04 of Article II hereof. The term also includes in all cases the successors and assigns of any Mortgagee.

Net Utility Plant shall mean the amount constituting the total utility plant of the Mortgagor less depreciation computed in accordance with Accounting Requirements.

Note or Notes shall mean one or more of the Government Notes, and any other Notes which may, from time to time, be secured under this Mortgage.

Noteholder or Noteholders shall mean one or more of the holders of Notes secured by this Mortgage; PROVIDED, however, that in the case of any Notes that have been guaranteed or insured as to payment by the Government, as to such Notes Noteholder or Noteholders shall mean the Government, exclusively, regardless of whether such notes are in the possession of the Government.

Original Mortgage means the instrument(s) identified as such in Schedule "A" hereof.

Original Notes shall mean the Notes listed on Schedule "A" hereto as such, such Notes being instruments evidencing outstanding indebtedness of the Mortgagor (i) to the Government (including indebtedness which has been issued by the Mortgagor to a third party and guaranteed

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or insured as to payment by the Government) and (ii) to each other Mortgagee on the date of this Mortgage.

Outstanding Notes shall mean as of the date of determination, (i) all Notes theretofore issued, executed and delivered to any Mortgagee and (ii) any Notes guaranteed or insured as to payment by the Government, except (a) Notes referred to in clause (i) or (ii) for which the principal and interest have been fully paid and which have been canceled by the Noteholder, and (b) Notes the payment for which has been provided for pursuant to Section 5.03.

Permitted Debt shall have the meaning specified in Section 3.08.

Permitted Encumbrances shall mean:

- (1) as to the property specifically described in Granting Clause First, the restrictions, exceptions, reservations, conditions, limitations, interests and other matters which are set forth or referred to in such descriptions and each of which fits one or more of the clauses of this definition. PROVIDED, such matters do not in the aggregate materially detract from the value of the Mortgaged Property taken as a whole and do not materially impair the use of such property for the purposes for which it is held by the Mortgagor;
- (2) liens for taxes, assessments and other governmental charges which are not delinquent;
- (3) liens for taxes, assessments and other governmental charges already delinquent which are currently being contested in good faith by appropriate proceedings; PROVIDED the Mortgagor shall have set aside on its books adequate reserves with respect thereto;
- (4) mechanics', workmen's, repairmen's, materialmen's, warehousemen's and carriers' liens and other similar liens arising in the ordinary course of business for charges which are not delinquent, or which are being contested in good faith and have not proceeded to judgment; PROVIDED the Mortgagor shall have set aside on its books adequate reserves with respect thereto;
- (5) liens in respect of judgments or awards with respect to which the Mortgagor shall in good faith currently be prosecuting an appeal or proceedings for review and with respect to which the Mortgagor shall have secured a stay of execution pending such appeal or proceedings for review; PROVIDED the Mortgagor shall have set aside on its books adequate reserves with respect thereto;
- (6) easements and similar rights granted by the Mortgagor over or in respect of any Mortgaged Property. PROVIDED that in the opinion of the Board or a duly authorized officer of the Mortgagor such grant will not impair the usefulness of such property in the conduct of the Mortgagor's business and will not be prejudicial to the interests of the Mortgagees, and similar rights granted by any predecessor in title of the Mortgagor;
- (7) easements, leases, reservations or other rights of others in any property of the Mortgagor for streets, roads, bridges, pipes, pipe lines, railroads, electric transmission and distribution lines, telegraph and telephone lines, the removal of oil, gas, coal or other minerals and other similar purposes, flood rights, river control and development rights, sewage and drainage rights, restrictions against pollution and zoning laws and minor defects and irregularities in the record evidence of title. PROVIDED that such easements, leases, reservations, rights, restrictions, laws, defects and irregularities do not materially affect the marketability of title to such property and do not in the aggregate materially impair the use of the Mortgaged Property taken as a whole for the purposes for which it is held by the Mortgagor;

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- (8) liens upon lands over which easements or rights of way are acquired by the Mortgagor for any of the purposes specified in Clause (7) of this definition, securing indebtedness neither created, assumed nor guaranteed by the Mortgagor nor on account of which it customarily pays interest, which liens do not materially impair the use of such easements or rights of way for the purposes for which they are held by the Mortgagor;
- (9) leases existing at the date of this instrument affecting property owned by the Mortgagor at said date which have been previously disclosed to the Mortgagees in writing and leases for a term of not more than two years (including any extensions or renewals) affecting property acquired by the Mortgagor after said date;
- (10) terminable or short term leases or permits for occupancy, which leases or permits expressly grant to the Mortgagor the right to terminate them at any time on not more than six months' notice and which occupancy does not interfere with the operation of the business of the Mortgagor;
- (11) any lien or privilege vested in any lessor, licensor or permittor for rent to become due or for other obligations or acts to be performed, the payment of which rent or performance of which other obligations or acts is required under leases, subleases, licenses or permits, so long as the payment of such rent or the performance of such other obligations or acts is not delinquent;
- (12) liens or privileges of any employees of the Mortgagor for salary or wages earned but not yet payable;
- (13) the burdens of any law or governmental regulation or permit requiring the Mortgagor to maintain certain facilities or perform certain acts as a condition of its occupancy of or interference with any public lands or any river or stream or navigable waters;
- (14) any irregularities in or deficiencies of title to any rights-of-way for pipe lines, telephone lines, telegraph lines, power lines or appurtenances thereto, or other improvements thereon, and to any real estate used or to be used primarily for right-of-way purposes, PROVIDED that in the opinion of counsel for the Mortgagor, the Mortgagor shall have obtained from the apparent owner of the lands or estates therein covered by any such right-of-way a sufficient right, by the terms of the instrument granting such right-of-way, to the use thereof for the construction, operation or maintenance of the lines, appurtenances or improvements for which the same are used or are to be used, or PROVIDED that in the opinion of counsel for the Mortgagor, the Mortgagor has power under eminent domain, or similar statutes, to remove such irregularities or deficiencies;
- (15) rights reserved to, or vested in, any municipality or governmental or other public authority to control or regulate any property of the Mortgagor, or to use such property in any manner, which rights do not materially impair the use of such property, for the purposes for which it is held by the Mortgagor;
- (16) any obligations or duties, affecting the property of the Mortgagor, to any municipality or governmental or other public authority with respect to any franchise, grant, license or permit;
- (17) any right which any municipal or governmental authority may have by virtue of any franchise, license, contract or statute to purchase, or designate a purchaser of or order the sale of, any property of the Mortgagor upon payment of cash or reasonable compensation therefor or to terminate any franchise, license or other rights or to regulate the property and business of the Mortgagor: PROVIDED, HOWEVER, that nothing in this clause 17 is intended to waive any claim or rights that the Government may otherwise have under Federal laws:

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- (18) as to properties of other operating electric companies acquired after the date of this Mortgage by the Mortgagor as permitted by Section 3.10 hereof, reservations and other matters as to which such properties may be subject as more fully set forth in such Section;
- (19) any lien required by law or governmental regulations as a condition to the transaction of any business or the exercise of any privilege or license, or to enable the Mortgagor to maintain self-insurance or to participate in any fund established to cover any insurance risks or in connection with workmen's compensation, unemployment insurance, old age pensions or other social security, or to share in the privileges or benefits required for companies participating in such arrangements; PROVIDED, HOWEVER, that nothing in this clause 19 is intended to waive any claim or rights that the Government may otherwise have under Federal laws;
- (20) liens arising out of any defeased mortgage or indenture of the Mortgagor;
- (21) the undivided interest of other owners, and liens on such undivided interests, in property owned jointly with the Mortgagor as well as the rights of such owners to such property pursuant to the ownership contracts;
- (22) any lien or privilege vested in any lessor, licensor or permittor for rent to become due or for other obligations or acts to be performed, the payment of which rent or the performance of which other obligations or acts is required under leases, subleases, licenses or permits, so long as the payment of such rent or the performance of such other obligations or acts is not delinquent;
- (23) purchase money mortgages permitted by Section 3.08;
- (24) the Original Mortgage;
- (25) this Mortgage.

Property Additions shall mean Utility System property as to which the Mortgagor shall provide Title Evidence and which shall be (or, if retired, shall have been) subject to the lien of this Mortgage, which shall be properly chargeable to the Mortgagor's utility plant accounts under Accounting Requirements (including property constructed or acquired to replace retired property credited to such accounts) and which shall be:

- (1) acquired (including acquisition by merger, consolidation, conveyance or transfer) or constructed by the Mortgagor after the date hereof, including property in the process of construction, insofar as not reflected on the books of the Mortgagor with respect to periods on or prior to the date hereof, and
- (2) used or useful in the utility business of the Mortgagor conducted with the properties described in the Granting Clauses of this Mortgage, even though separate from and not physically connected with such properties.

"Property Additions" shall also include:

- (3) easements and rights-of-way that are useful for the conduct of the utility business of the Mortgagor, and
- (4) property located or constructed on, over or under public highways, rivers or other public property if the Mortgagor has the lawful right under permits, licenses or

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franchises granted by a governmental body having jurisdiction in the premises or by the law of the State in which such property is located to maintain and operate such property for an unlimited, indeterminate or indefinite period or for the period, if any, specified in such permit, license or franchise or law and to remove such property at the expiration of the period covered by such permit, license or franchise or law, or if the terms of such permit, license, franchise or law require any public authority having the right to take over such property to pay fair consideration therefor.

"Property Additions" shall NOT include:

- (a) good will, going concern value, contracts, agreements, franchises, licenses or permits, whether acquired as such, separate and distinct from the property operated in connection therewith, or acquired as an incident thereto, or
- (b) any shares of stock or indebtedness or certificates or evidences of interest therein or other securities, or
- (c) any plant or system or other property in which the Mortgagor shall acquire only a leasehold interest, or any betterments, extensions, improvements or additions (other than movable physical personal property which the Mortgagor has the right to remove), of, upon or to any plant or system or other property in which the Mortgagor shall own only a leasehold interest unless (i) the term of the leasehold interest in the property to which such betterment, extension, improvement or addition relates shall extend for at least 75% of the useful life of such betterment, extension, improvement or addition and (ii) the lessor shall have agreed to give the Mortgagee reasonable notice and opportunity to cure any default by the Mortgagor under such lease and not to disturb any Mortgagee's possession of such leasehold estate in the event any Mortgagee succeeds to the Mortgagor's interest in such lease upon any Mortgagee's exercise of any remedies under this Mortgage so long as there is no default in the performance of the tenant's covenants contained therein, or
- (d) any property of the Mortgagor subject to the Permitted Encumbrance described in clause (23) of the definition thereof.

Prudent Utility Practice shall mean any of the practices, methods and acts which, in the exercise of reasonable judgment, in light of the facts, including, but not limited to, the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry prior thereto, known at the time the decision was made, would have been expected to accomplish the desired result consistent with cost-effectiveness, reliability, safety and expedition. It is recognized that Prudent Utility Practice is not intended to be limited to optimum practice, method or act to the exclusion of all others, but rather is a spectrum of possible practices, methods or acts which could have been expected to accomplish the desired result at the lowest reasonable cost consistent with cost-effectiveness, reliability, safety and expedition.

REA shall mean the Rural Electrification Administration of the United States Department of Agriculture, the predecessor of RUS.

Regulatory Created Assets shall mean the sum of any amounts properly recordable as unrecovered plant and regulatory study costs or as other regulatory assets, pursuant to Accounting Requirements.

Restricted Rentals shall mean all rentals required to be paid under finance leases and charged to income, exclusive of any amounts paid under any such lease (whether or not designated therein as rental or additional rental) for maintenance or repairs, insurance, taxes, assessments, water rates or similar charges. For the purpose of this definition the term "finance lease" shall mean any lease having a rental term (including the term for which such lease may be renewed or extended at the option of the lessee) in excess of 3 years and covering property having an initial cost in excess of \$250,000 other than aircraft, ships, barges, automobiles, trucks, trailers, rolling stock and vehicles; office, garage and warehouse space; office equipment and computers.

RUS shall mean the Rural Utilities Service, an agency of the United States Department of Agriculture, or if at any time after the execution of this Mortgage RUS is not existing and performing the duties of administering a program of rural electrification as currently assigned to it, then the entity performing such duties at such time.

Security Interest shall mean any assignment, transfer, mortgage, hypothecation or pledge.

Subordinated Indebtedness shall mean secured indebtedness of the Mortgagor, payment of which shall be subordinated to the prior payment of the Notes in accordance with the provisions of Section 3.08 hereof by subordination agreement in form and substance satisfactory to each Mortgagee which approval will not be unreasonably withheld.

Supplemental Mortgage shall mean an instrument of the type described in Section 2.04.

Times Interest Earned Ratio ("TIER") shall mean the ratio determined as follows: for each calendar year: add (i) patronage capital or margins of the Mortgagor and (ii) Interest Expense on Total Long-Term Debt of the Mortgagor and divide the total so obtained by Interest Expense on Total Long-Term Debt of the Mortgagor, provided, however, that in computing Interest Expense on Total Long-Term Debt, there shall be added, to the extent not otherwise included, an amount equal to 33-1/3% of the excess of Restricted Rentals paid by the Mortgagor over 2% of the Mortgagor's Equity.

Title Evidence shall mean with respect to any real property:

- (1) an opinion of counsel to the effect that the Mortgagor has title, whether fairly deducible of record or based upon prescriptive rights (or, as to personal property, based on such evidence as counsel shall determine to be sufficient), as in the opinion of counsel is satisfactory for the use thereof in connection with the operations of the Mortgagor, and counsel in giving such opinion may disregard any irregularity or deficiency in the record evidence of title which, in the opinion of such counsel, can be cured by proceedings within the power of the Mortgagor or does not substantially impair the usefulness of such property for the purpose of the Mortgagor and may base such opinion upon counsel's own investigation or upon affidavits, certificates, abstracts of title, statements or investigations made by persons in whom such counsel has confidence or upon examination of a certificate or guaranty of title or policy of title insurance in which counsel has confidence; or
- (2) a mortgagee's policy of title insurance in the amount of the cost to the Mortgagor of the land included in Property Additions, as such cost is determined by the Mortgagor in accordance with the Accounting Requirements, issued in favor of the Mortgagees by an entity authorized to insure title in the states where the subject property is located, showing the Mortgagor as the owner of the subject property and insuring the lien of this

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Mortgage; and with respect to any personal property a certificate of the general manager or other duly authorized officer that the Mortgagor lawfully owns and is possessed of such property.

Total Assets shall mean an amount constituting total assets of the Mortgagor as computed pursuant to Accounting Requirements, but excluding any Regulatory Created Assets.

Total Long-Term Debt shall mean the total outstanding long-term debt of the Mortgagor as computed pursuant to Accounting Requirements.

Total Utility Plant shall mean the total of all property properly recorded in the utility plant accounts of the Mortgagor, pursuant to Accounting Requirements.

Uniform Commercial Code or UCC shall mean the UCC of the state referred to in Section 1.04, and if Mortgaged Property is located in a state other than that state, then as to such Mortgaged Property UCC refers to the UCC in effect in the state where such property is located.

Utility System shall mean the Electric System and all of the Mortgagor's interest in community infrastructure located substantially within its electric service territory, namely water and waste systems, solid waste disposal facilities, telecommunications and other electronic communications systems, and natural gas distribution systems.

Section 1.02. General Rules of Construction:

- a. Accounting terms not defined in Section 1.01 are used in this Mortgage in their ordinary sense and any computations relating to such terms shall be computed in accordance with the Accounting Requirements.
- b. Any reference to "directors" or "board of directors" shall be deemed to mean "trustees" or "board of trustees," as the case may be.

Section 1.03. Special Rules of Construction if RUS is a Mortgagee:

During any period that RUS is a Mortgagee, the following additional provisions shall apply:

- a. In the case of any Notes that have been guaranteed or insured as to payment by RUS, as to such Notes RUS shall be considered to be the Noteholder, exclusively, regardless of whether such Notes are in the possession of RUS.
- b. In the case of any prior approval rights conferred upon RUS by Federal statutes, including (without limitation) Section 7 of the Rural Electrification Act of 1936, as amended, with respect to the sale or disposition of property, rights, or franchises of the Mortgagor, all such statutory rights are reserved except to the extent that they are expressly modified or waived in this Mortgage.

Section 1.04. Governing Law:

This Mortgage shall be construed in and governed by Federal law to the extent applicable, and otherwise by the laws of the state listed on Schedule "A" hereto.

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Section 1.05 Notices:

All demands, notices, reports, approvals, designations, or directions required or permitted to be given hereunder shall be in writing and shall be deemed to be properly given if sent by registered or certified mail, postage prepaid, or delivered by hand, or sent by facsimile transmission, receipt confirmed, addressed to the proper party or parties at the addresses listed on Schedule "A" hereto, and as to any other person, firm, corporation or governmental body or agency having an interest herein by reason of being a Mortgagee, at the last address designated by such person, firm, corporation, governmental body or agency to the Mortgagor and the other Mortgagees. Any such party may from time to time designate to each other a new address to which demands, notices, reports, approvals, designations or directions may be addressed, and from and after any such designation the address designated shall be deemed to be the address of such party in lieu of the address given above.

ARTICLE II

ADDITIONAL NOTES

Section 2.01. Additional Notes:

- (a) Without the prior consent of any Mortgagee or any Noteholder, the Mortgagor may issue Additional Notes to the Government or to another lender or lenders for the purpose of acquiring, procuring or constructing new or replacement Eligible Property Additions and such Additional Notes will thereupon be secured equally and ratably with the Notes if each of the following requirements are satisfied:
- (1) As evidenced by a certificate of an Independent certified public accountant sent to each Mortgagee on or before the first advance of proceeds from such Additional Notes:
 - (i) The Mortgagor shall have achieved for each of the two calendar years immediately preceding the issuance of such Additional Notes, a TIER of not less than 1.5 and a DSC of not less than 1.25;
 - (ii) After taking into account the effect of such Additional Notes on the Total Long Term Debt of the Mortgagor, the ratio of the Mortgagor's Net Utility Plant to its Total Long Term Debt shall be greater than or equal to 1.0 on a pro forma basis;
 - (iii) After taking into account the effect of such Additional Notes on the Total Assets of such Mortgagor, the Mortgagor shall have Equity greater than or equal to 27 percent of Total Assets on a pro forma basis; and
 - (iv) The sum of the aggregate principal amount of such Additional Notes (if any) that are not related to the Electric System if added to the aggregate outstanding principal amount of all the existing Notes (if any) that are not related to the Electric System will not exceed 30% of the Mortgagor's Equity on a pro forma basis.

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- (2) No Event of Default has occurred and is continuing hereunder, 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.
 - (3) The Eligible Property Additions being constructed, acquired, procured or replaced are part of the Mortgagor's Utility System.
 - (4) The Mortgagor's general manager or other duly authorized officer shall send to each of the Mortgagees a certificate in substantially the form attached hereto as Exhibit A on or before the date of the first advance of proceeds from such Additional Notes.
- (b) For purposes of this section:
- (1) "Eligible Property Additions" shall mean Property Additions acquired or whose construction was completed not more than 5 years prior to the issuance of the Additional Notes and Property Additions acquired or whose construction is started and/or completed not more than 4 years after issuance of the Additional Notes, but shall exclude any Property Additions financed by any other debt secured under the Mortgage at the time additional Notes are issued;
 - (2) Notes are considered to be "issued" on, and the date of "issuance" shall be, the date on which they are executed by the Mortgagor; and
 - (3) For purposes of calculating the pro forma ratios in subparagraphs (a)(1)(ii) and (iii), the values for Total Long Term Debt and Total Assets before debt issuance and the values for Equity and Net Utility Plant shall be the most recently available end-of-month figures preceding the issuance of the Additional Notes, but in no case for a month ending more than 180 days preceding such issuance.

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 Additional 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.

Section 2.03. Other Additional Notes.

With the prior written consent of each Mortgagee, the Mortgagor may issue Additional Notes to the Government or any lender or lenders, which Notes will thereupon be secured equally and ratably with Notes without regard to whether any of the requirements of Sections 2.01 or 2.02 are satisfied.

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Section 2.04. Additional Lenders Entitled to the Benefit of This Mortgage:

Without the prior consent of any Mortgagee or any Noteholder, each new lender designated as a payee in any Additional Notes issued by the Mortgagor pursuant to Section 2.01 or 2.02 of this Mortgage shall become a Mortgagee hereunder upon the execution and delivery by the Mortgagor and such lender of a supplemental mortgage hereto designating such lender as a Mortgagee hereunder. Such new lender shall be entitled to the benefits of this Mortgage without further act or deed. Each Mortgagee and each person or entity that becomes a lender pursuant to Section 2.01 or 2.02 of this Mortgage shall, upon the request of the Mortgagor to do so, execute and deliver a supplement to this Mortgage in substantially the form set forth in Section 2.05 to evidence the addition of such new lender as an additional Mortgagee entitled to the benefits of this Mortgage. The failure of any existing Mortgagee to enter into such supplemental mortgage shall not deprive the new lender of its rights under this Mortgage; provided that such additional indebtedness otherwise conforms in all respects with the requirements for issuing Additional Notes under this Mortgage.

Section 2.05. Form of Supplemental Mortgage:

- (a) The form of supplemental mortgage referred to in Section 2.04 is attached to this Mortgage as Exhibit B and hereby incorporated by reference as if set forth in full at this point.
- (b) In the event that the Mortgagor subsequently issues Additional Notes pursuant to Sections 2.01 or 2.02 to any existing Mortgagee and that Mortgagee desires further assurance that such Additional Notes will be secured by the lien of the Mortgage, an instrument substantially in the form of the supplemental mortgage attached as Exhibit B may be used.
- (c) In the event that the Mortgagor issues Additional Notes pursuant to Section 2.03 to either an existing Mortgagee or a new lender, in either case with the prior written consent of each Mortgagee, then an instrument substantially in the form of the supplemental mortgage attached as Exhibit B may also be used.

ARTICLE III

PARTICULAR COVENANTS OF THE MORTGAGOR

Section 3.01. Payment of Debt Service on Notes:

The Mortgagor will duly and punctually pay the principal, premium, if any, and interest on the Notes in accordance with the terms of the Notes, the Loan Agreements, this Mortgage and any Supplemental Mortgage authorizing such Notes.

Section 3.02. Warranty of Title:

- (a) At the time of the execution and delivery of this instrument, the Mortgagor has good and marketable title in fee simple to the real property specifically described in Granting Clause First as owned in fee and good and marketable title to the interests in real property specifically described in Granting Clause First, subject to no mortgage, lien, charge or encumbrance except as stated therein, and has full power and lawful authority to grant, bargain, sell, alien, remise, release, convey, assign, transfer, encumber,

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mortgage, pledge, set over and confirm said real property and interests in real property in the manner and form aforesaid.

- (b) At the time of the execution and delivery of this instrument, the Mortgagor lawfully owns and is possessed of the personal property specifically described in Granting Clauses First and Second, subject to no mortgage, lien, charge or encumbrance except as stated therein, and has full power and lawful authority to mortgage, assign, transfer, deliver, pledge and grant a continuing security interest in said property and, including any proceeds thereof, in the manner and form aforesaid.
- (c) The Mortgagor hereby does and will forever warrant and defend the title to the property specifically described in Granting Clause First against the claims and demands of all persons whomsoever, except Permitted Encumbrances.

Section 3.03. After-Acquired Property; Further Assurances; Recording:

- (a) All property of every kind, other than Excepted Property, acquired by the Mortgagor after the date hereof, shall, immediately upon the acquisition thereof by the Mortgagor, and without any further mortgage, conveyance or assignment, become subject to the lien of this Mortgage; SUBJECT, HOWEVER, to Permitted Encumbrances and the exceptions, if any, to which all of the Mortgagees consent. Nevertheless, the Mortgagor will do, execute, acknowledge and deliver all and every such further acts, conveyances, mortgages, financing statements and assurances as any Mortgagee shall require for accomplishing the purposes of this Mortgage.
- (b) The Mortgagor will cause this Mortgage and all Supplemental Mortgages and other instruments of further assurance, including all financing statements covering security interests in personal property, to be promptly recorded, registered and filed, and will execute and file such financing statements and cause to be issued and filed such continuation statements, all in such manner and in such places as may be required by law fully to preserve and protect the rights of all of the Mortgagees and Noteholders hereunder to all property comprising the Mortgaged Property. The Mortgagor will furnish to each Mortgagee:
 - (1) promptly after the execution and delivery of this instrument and of each Supplemental Mortgage or other instrument of further assurance, an Opinion of Counsel stating that, in the opinion of such Counsel, this instrument and all such Supplemental Mortgages and other instruments of further assurance have been properly recorded, registered and filed to the extent necessary to make effective the lien intended to be created by this Mortgage, and reciting the details of such action or referring to prior Opinions of Counsel in which such details are given, and stating that all financing statements and continuation statements have been executed and filed that are necessary fully to preserve and protect the rights of all of the Mortgagees and Noteholders hereunder, or stating that, in the opinion of such Counsel, no such action is necessary to make the lien effective; and
 - (2) during the month of January in each year following the first anniversary of the date of this Mortgage, an Opinion of Counsel, dated on or about the date of delivery, either stating that, in the opinion of such Counsel, such action has been taken with respect to the recording, registering, filing, re-recording, re-registering and re-filing of this instrument and of all Supplemental Mortgages, financing statements, continuation statements or other instruments of further assurances as is necessary to maintain the

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lien of this Mortgage (including the lien on any property acquired by the Mortgagor after the execution and delivery of this instrument and owned by the Mortgagor at the end of preceding calendar year) and reciting the details of such action or referring to prior Opinions of Counsel in which such details are given, and stating that all financing statements and continuation statements have been executed and filed that are necessary to fully preserve and protect the rights of all of the Mortgagees and Noteholders hereunder, or stating that, in the opinion of such Counsel, no such action is necessary to maintain such lien.

Section 3.04. Environmental Requirements and Indemnity:

- (a) The Mortgagor shall, with respect to all facilities which may be part of the Mortgaged Property, comply with all Environmental Laws.
- (b) The Mortgagor shall defend, indemnify, and hold harmless each Mortgagee, its successors and assigns, from and against any and all liabilities, losses, damages, costs, expenses (including but not limited to reasonable attorneys' fees and expenses), causes of actions, administrative proceedings, suits, claims, demands, or judgments of any nature arising out of or in connection with any matter related to the Mortgage Property and any Environmental Law, including but not limited to:
 - (1) the past, present, or future presence of any hazardous substance, contaminant, pollutant, or hazardous waste on or related to the Mortgaged Property;
 - (2) any failure at any time by the undersigned to comply with the terms of any order related to the Mortgaged Property and issued by any Federal, state, or municipal department or agency (other than RUS) exercising its authority to enforce any Environmental Law; and
 - (3) any lien or claim imposed under any Environmental Law related to clause (1).
- (c) Within 10 (ten) business days after receiving knowledge of any liability, losses, damages, costs, expenses (including but not limited to reasonable attorneys' fees and expenses), cause of action, administrative proceeding, suit, claim, demand, judgment, lien, reportable event including but not limited to the release of a hazardous substance, or potential or actual violation or non-compliance arising out of or in connection with the Mortgaged Property and any Environmental Law, the Mortgagor shall provide each Mortgagee with written notice of such matter. With respect to any matter upon which it has provided such notice, the Mortgagor shall immediately take any and all appropriate actions to remedy, cure, defend, or otherwise affirmatively respond to the matter.

Section 3.05. Payment of Taxes:

The Mortgagor will pay or cause to be paid as they become due and payable all taxes, assessments and other governmental charges lawfully levied or assessed or imposed upon the Mortgaged Property or any part thereof or upon any income therefrom, and also (to the extent that such payment will not be contrary to any applicable laws) all taxes, assessments and other governmental charges lawfully levied, assessed or imposed upon the lien or interest of the Noteholders or of the Mortgagees in the Mortgaged Property, so that (to the extent aforesaid) the lien of this Mortgage shall at all times be wholly preserved at the cost of the Mortgagor and without expense to the Mortgagees or the Noteholders; PROVIDED, HOWEVER, that the

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Mortgagor shall not be required to pay and discharge or cause to be paid and discharged any such tax, assessment or governmental charge to the extent that the amount, applicability or validity thereof shall currently be contested in good faith by appropriate proceedings and the Mortgagor shall have established and shall maintain adequate reserves on its books for the payment of the same.

Section 3.06. Authority to Execute and Deliver Notes, Loan Agreements and Mortgage; All Action Taken; Enforceable Obligations:

The Mortgagor is authorized under its articles of incorporation and bylaws (or code of regulations) and all applicable laws and by corporate action to execute and deliver the Notes, any Additional Notes, the Loan Agreements and this Mortgage. The Notes, the Loan Agreements and this Mortgage are, and any Additional Notes and Loan Agreements when executed and delivered will be, the valid and enforceable obligations of the Mortgagor in accordance with their respective terms.

Section 3.07. Restrictions on Further Encumbrances on Property:

Except to secure Additional Notes, the Mortgagor will not, without the prior written consent of each Mortgagee, create or incur or suffer or permit to be created or incurred or to exist any Lien, charge, assignment, pledge or mortgage on any of the Mortgaged Property inferior to, prior to, or on a parity with the Lien of this Mortgage except for the Permitted Encumbrances. Subject to the provisions of Section 3.08, or unless approved by each of the Mortgagees, the Mortgagor will purchase all materials, equipment and replacements to be incorporated in or used in connection with the Mortgaged Property outright and not subject to any conditional sales agreement, chattel mortgage, bailment, lease or other agreement reserving to the seller any right, title or Lien.

Section 3.08. Restrictions On Additional Permitted Debt:

The Mortgagor shall not incur, assume, guarantee or otherwise become liable in respect of any debt for borrowed money and Restricted Rentals (including Subordinated Debt) other than the following: ("Permitted Debt")

- (1) Additional Notes issued in compliance with Article II hereof;
- (2) Purchase money indebtedness in non-Utility System property, in an amount not exceeding 10% of Net Utility Plant;
- (3) Restricted Rentals in an amount not to exceed 5% of Equity during any 12 consecutive calendar month period;
- (4) Unsecured lease obligations incurred in the ordinary course of business except Restricted Rentals;
- (5) Unsecured indebtedness for borrowed money;
- (6) Debt represented by dividends declared but not paid; and
- (7) Subordinated Indebtedness approved by each Mortgagee.

PROVIDED, However, that the Mortgagor may incur Permitted Debt without the consent of the Mortgagee only so long as there exists no Event of Default hereunder and there has been no

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continuing occurrence which with the passage of time and giving of notice could become an Event of Default hereunder.

PROVIDED, FURTHER, by executing this Mortgage any consent of RUS that the Mortgagor would otherwise be required to obtain under this Section is hereby deemed to be given or waived by RUS by operation of law to the extent, but only to the extent, that to impose such a requirement of RUS consent would clearly violate existing Federal laws or government regulations.

Section 3.09. Preservation of Corporate Existence and Franchises:

The Mortgagor will, so long as any Outstanding Notes exist, take or cause to be taken all such action as from time to time may be necessary to preserve its corporate existence and to preserve and renew all franchises, rights of way, easements, permits, and licenses now or hereafter to be granted or upon it conferred the loss of which would have a material adverse affect on the Mortgagor's financial condition or business. The Mortgagor will comply with all laws, ordinances, regulations, orders, decrees and other legal requirements applicable to it or its property the violation of which could have a material adverse affect on the Mortgagor's financial condition or business.

Section 3.10. Limitations on Consolidations and Mergers:

The Mortgagor shall not, without the prior written approval of each Mortgagee, consolidate or merge with any other corporation or convey or transfer the Mortgaged Property substantially as an entirety unless:

- (1) such consolidation, merger, conveyance or transfer shall be on such terms as shall fully preserve the lien and security hereof and the rights and powers of the Mortgagees hereunder;
- (2) the entity formed by such consolidation or with which the Mortgagor is merged or the corporation which acquires by conveyance or transfer the Mortgaged Property substantially as an entirety shall execute and deliver to the Mortgagees a mortgage supplemental hereto in recordable form and containing an assumption by such successor entity of the due and punctual payment of the principal of and interest on all of the Outstanding Notes and the performance and observance of every covenant and condition of this Mortgage;
- (3) immediately after giving effect to such transaction, no default hereunder shall have occurred and be continuing;
- (4) the Mortgagor shall have delivered to the Mortgagees a certificate of its general manager or other officer, in form and substance satisfactory to each of the Mortgagees, which shall state that such consolidation, merger, conveyance or transfer and such supplemental mortgage comply with this subsection and that all conditions precedent herein provided for relating to such transaction have been complied with;
- (5) the Mortgagor shall have delivered to the Mortgagees an opinion of counsel in form and substance satisfactory to each of the Mortgagees; and

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- (6) the entity formed by such consolidation or with which the Mortgagor is merged or the corporation which acquires by conveyance or transfer the Mortgaged Property substantially as an entirety shall be an entity -
- (A) having Equity equal to at least 27% of its Total Assets on a pro forma basis after giving effect to such transaction,
 - (B) having a pro forma TIER of not less than 1.50 and a pro forma DSC of not less than 1.25 for each of the two preceding calendar years, and
 - (C) having Net Utility Plant equal to or greater than 1.0 times its Total Long-Term Debt on a pro forma basis. Upon any consolidation or merger or any conveyance or transfer of the Mortgaged Property substantially as an entirety in accordance with this subsection, the successor entity formed by such consolidation or with which the Mortgagor is merged or to which such conveyance or transfer is made shall succeed to, and be substituted for, and may exercise every right and power of, the Mortgagor under this Mortgage with the same effect as if such successor entity had been named as the Mortgagor herein.

Section 3.11. Limitations on Transfers of Property:

The Mortgagor may not, except as provided in Section 3.10 above, without the prior written approval of each Mortgagee, sell, lease or transfer any Mortgaged Property to any other person or entity (including any subsidiary or affiliate of the Mortgagor), unless

- (1) there exists no Event of Default or occurrence which with the passing of time and the giving of notice would be an Event of Default,
- (2) fair market value is obtained for such property,
- (3) the aggregate value of assets so sold, leased or transferred in any 12-month period is less than 10% of Net Utility Plant, and
- (4) the proceeds of such sale, lease or transfer, less ordinary and reasonable expenses incident to such transaction, are immediately
 - (i) applied as a prepayment of all Notes equally and ratably,
 - (ii) in the case of dispositions of equipment, materials or scrap, applied to the purchase of other property useful in the Mortgagor's utility business, not necessarily of the same kind as the property disposed of, which shall forthwith become subject to the Lien of the Mortgage, or
 - (iii) applied to the acquisition or construction of utility plant.

Section 3.12. Maintenance of Mortgaged Property:

- (a) So long as the Mortgagor holds title to the Mortgaged Property, the Mortgagor will at all times maintain and preserve the Mortgaged Property which is used or useful in the Mortgagor's business and each and every part and parcel thereof in good repair, working order and condition, ordinary wear and tear and acts of God excepted, and in compliance with Prudent Utility Practice and in compliance with all applicable laws.

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regulations and orders, and will from time to time make all needed and proper repairs, renewals and replacements, and useful and proper alterations, additions, betterments and improvements, and will, subject to contingencies beyond its reasonable control, at all times use all reasonable diligence to furnish the consumers served by it through the Mortgaged Property, or any part thereof, with an adequate supply of electric power and energy. If any substantial part of the Mortgaged Property is leased by the Mortgagor to any other party, the lease agreement between the Mortgagor and the lessee shall obligate the lessee to comply with the provisions of subsections (a) and (b) of this Section in respect of the leased facilities and to permit the Mortgagor to operate the leased facilities in the event of any failure by the lessee to so comply.

- (b) If in the sole judgement of any Mortgagee, the Mortgaged Property is not being maintained and repaired in accordance with paragraph (a) of this section, such Mortgagee may send to the Mortgagor a written report of needed improvements and the Mortgagor will upon receipt of such written report promptly undertake to accomplish such improvements.
- (c) The Mortgagor further agrees that upon reasonable written request of any Mortgagee, which request together with the requests of any other Mortgagees shall be made no more frequently than once every three years, the Mortgagor will supply promptly to each Mortgagee a certification (hereinafter called the "Engineer's Certification"), in form satisfactory to the requestor, prepared by a professional engineer, who shall be satisfactory to the Mortgagees, as to the condition of the Mortgaged Property. If in the sole judgment of any Mortgagee the Engineer's Certification discloses the need for improvements to the condition of the Mortgaged Property or any other operations of the Mortgagor, such Mortgagee may send to the Mortgagor a written report of such improvements and the Mortgagor will upon receipt of such written report promptly undertake to accomplish such of these improvements as are required by such Mortgagee.

Section 3.13. Insurance; Restoration of Damaged Mortgaged Property:

- (a) The Mortgagor will take out, as the respective risks are incurred, and maintain the classes and amounts of insurance in conformance with generally accepted utility industry standards for such classes and amounts of coverages of utilities of the size and character of the Mortgagor and consistent with Prudent Utility Practice.
- (b) The foregoing insurance coverage shall be obtained by means of bond and policy forms approved by regulatory authorities having jurisdiction, and, with respect to insurance upon any part of the Mortgaged Property, shall provide that the insurance shall be payable to the Mortgagees as their interests may appear by means of the standard mortgagee clause without contribution. Each policy or other contract for such insurance shall contain an agreement by the insurer that, notwithstanding any right of cancellation reserved to such insurer, such policy or contract shall continue in force for at least 30 days after written notice to each Mortgagee of cancellation.
- (c) In the event of damage to or the destruction or loss of any portion of the Mortgaged Property which is used or useful in the Mortgagor's business and which shall be covered by insurance, unless each Mortgagee shall otherwise agree, the Mortgagor shall replace or restore such damaged, destroyed or lost portion so that such Mortgaged Property shall be in substantially the same condition as it was in prior to such damage, destruction or loss, and shall apply the proceeds of the insurance for that purpose. The Mortgagor

shall replace the lost portion of such Mortgaged Property or shall commence such restoration promptly after such damage, destruction or loss shall have occurred and shall complete such replacement or restoration as expeditiously as practicable, and shall pay or cause to be paid out of the proceeds of such insurance all costs and expenses in connection therewith.

- (d) Sums recovered under any policy or fidelity bond by the Mortgagor for a loss of funds advanced under the Notes or recovered by any Mortgagee or any Noteholder for any loss under such policy or bond shall, unless applied as provided in the preceding paragraph, be used to finance construction of utility plant secured or to be secured by this Mortgage, or unless otherwise directed by the Mortgagees, be applied to the prepayment of the Notes pro rata according to the unpaid principal amounts thereof (such prepayments to be applied to such Notes and installments thereof as may be designated by the respective Mortgagee at the time of any such prepayment), or be used to construct or acquire utility plant which will become part of the Mortgaged Property. At the request of any Mortgagee, the Mortgagor shall exercise such rights and remedies which they may have under such policy or fidelity bond and which may be designated by such Mortgagee, and the Mortgagor hereby irrevocably appoints each Mortgagee as its agent to exercise such rights and remedies under such policy or bond as such Mortgagee may choose, and the Mortgagor shall pay all costs and reasonable expenses incurred by the Mortgagee in connection with such exercise.

Section 3.14. Mortgagee Right to Expend Money to Protect Mortgaged Property:

The Mortgagor agrees that any Mortgagee from time to time hereunder may, in its sole discretion, after having given 5 Business days prior written notice to the Mortgagor, but shall not be obligated to, advance funds on behalf of the Mortgagor, in order to insure the Mortgagor's compliance with any covenant, warranty, representation or agreement of the Mortgagor made in or pursuant to this Mortgage or any of the Loan Agreements, to preserve or protect any right or interest of the Mortgagees in the Mortgaged Property or under or pursuant to this Mortgage or any of the Loan Agreements, including without limitation, the payment of any insurance premiums or taxes and the satisfaction or discharge of any judgment or any Lien upon the Mortgaged Property or other property or assets of the Mortgagor; provided, however, that the making of any such advance by or through any Mortgagee shall not constitute a waiver by any Mortgagee of any Event of Default with respect to which such advance is made nor relieve the Mortgagor of any such Event of Default. The Mortgagor shall pay to a Mortgagee upon demand all such advances made by such Mortgagee with interest thereon at a rate equal to that on the Note having the highest interest rate but in no event shall such rate be in excess of the maximum rate permitted by applicable law. All such advances shall be included in the obligations and secured by the security interest granted hereunder.

Section 3.15. Time Extensions for Payment of Notes:

Any Mortgagee may, at any time or times in succession without notice to or the consent of the Mortgagor, or any other Mortgagee, and upon such terms as such Mortgagee may prescribe, grant to any person, firm or corporation who shall have become obligated to pay all or any part of the principal of (and premium, if any) or interest on any Note held by or indebtedness owed to such Mortgagee or who may be affected by the lien hereby created, an extension of the time for the payment of such principal, (and premium, if any) or interest, and after any such extension the Mortgagor will remain liable for the payment of such Note or indebtedness to the same extent as though it had at the time of such extension consented thereto in writing.

Section 3.16. Application of Proceeds from Condemnation:

- (a) In the event that the Mortgaged Property or any part thereof, shall be taken under the power of eminent domain, all proceeds and avails therefrom may be used to finance construction of utility plant secured or to be secured by this Mortgage. Any proceeds not so used shall forthwith be applied by the Mortgagor: first, to the ratable payment of any indebtedness secured by this Mortgage other than principal of or interest on the Notes; second, to the ratable payment of interest which shall have accrued on the Notes and be unpaid; third, to the ratable payment of or on account of the unpaid principal of the Notes, to such installments thereof as may be designated by the respective Mortgagee at the time of any such payment; and fourth, the balance shall be paid to whomsoever shall be entitled thereto.
- (b) If any part of the Mortgaged Property shall be taken by eminent domain, each Mortgagee shall release the property so taken from the Mortgaged Property and shall be fully protected in so doing upon being furnished with:
 - (1) A certificate of a duly authorized officer of the Mortgagor requesting such release, describing the property to be released and stating that such property has been taken by eminent domain and that all conditions precedent herein provided or relating to such release have been complied with; and
 - (2) an opinion of counsel to the effect that such property has been lawfully taken by exercise of the right of eminent domain, that the award for such property so taken has become final and that all conditions precedent herein provided for relating to such release have been complied with.

Section 3.17. Compliance with Loan Agreements; Notice of Amendments to and Defaults under Loan Agreements:

The Mortgagor will observe and perform all of the material covenants, agreements, terms and conditions contained in any Loan Agreement entered into in connection with the issuance of any of the Notes, as from time to time amended. The Mortgagor will send promptly to each Mortgagee notice of any default by the Mortgagor under any Loan Agreement and notice of any amendment to any Loan Agreement. Upon request of any Mortgagee, the Mortgagor will furnish to such Mortgagee single copies of such Loan Agreements and amendments thereto as such Mortgagee may request.

Section 3.18. Rights of Way, etc., Necessary in Business:

The Mortgagor will use its best efforts to obtain all such rights of way, easements from landowners and releases from lienors as shall be necessary or advisable in the conduct of its business, and, if requested by any Mortgagee, deliver to such Mortgagee evidence satisfactory to such Mortgagee of the obtaining of such rights of way, easements or releases.

Section 3.19. Limitations on Providing Free Electric Services:

The Mortgagor will not furnish or supply or cause to be furnished or supplied any electric power, energy or capacity free of charge to any person, firm or corporation, public or private, and the Mortgagor will enforce the payment of any and all amounts owing to the Mortgagor by reason of the ownership and operation of the Utility System by discontinuing such use, output, capacity.

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or service, or by filing suit therefor within 90 days after any such accounts are due, or by both such discontinuance and by filing suit.

Section 3.20. Keeping Books; Inspection by Mortgagee:

The Mortgagor will keep proper books, records and accounts, in which full and correct entries shall be made of all dealings or transactions of or in relation to the Notes and the Utility System, properties, business and affairs of the Mortgagor in accordance with the Accounting Requirements. The Mortgagor will at any and all times, upon the written request of any Mortgagee and at the expense of the Mortgagor, permit such Mortgagee by its representatives to inspect the Utility System and properties, books of account, records, reports and other papers of the Mortgagor and to take copies and extracts therefrom, and will afford and procure a reasonable opportunity to make any such inspection, and the Mortgagor will furnish to each Mortgagee any and all such information as such Mortgagee may request, with respect to the performance by the Mortgagor of its covenants under this Mortgage, the Notes and the Loan Agreements.

Section 3.21. Maximum Debt Limit:

The Notes at any one time secured by this Mortgage shall not in the aggregate principal amount exceed the Maximum Debt Limit.

ARTICLE IV

EVENTS OF DEFAULT AND REMEDIES

Section 4.01. Events of Default:

Each of the following shall be an "Event of Default" under this Mortgage:

- (a) default shall be made in the payment of any installment of or on account of interest on or principal of (or premium, if any associated with) any Note or Notes for more than five (5) Business Days after the same shall be required to be made;
- (b) default shall be made in the due observance or performance of any other of the covenants, conditions or agreements on the part of the Mortgagor, in any of the Notes, Loan Agreements or in this Mortgage, and such default shall continue for a period of thirty (30) days after written notice specifying such default and requiring the same to be remedied and stating that such notice is a "Notice of Default" hereunder shall have been given to the Mortgagor by any Mortgagee; PROVIDED, HOWEVER that in the case of a default on the terms of a Note or Loan Agreement of a particular Mortgagee, the "Notice of Default" required under this paragraph may only be given by that Mortgagee;
- (c) the Mortgagor shall file a petition in bankruptcy or be adjudicated a bankrupt or insolvent, or shall make an assignment for the benefit of its creditors, or shall consent to the appointment of a receiver of itself or of its property, or shall institute proceedings for its reorganization or proceedings instituted by others for its reorganization shall not be dismissed within sixty (60) days after the institution thereof;

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- (d) a receiver or liquidator of the Mortgagor or of any substantial portion of its property shall be appointed and the order appointing such receiver or liquidator shall not be vacated within sixty (60) days after the entry thereof,
- (e) the Mortgagor shall forfeit or otherwise be deprived of its corporate charter or franchises, permits, easements, or licenses required to carry on any material portion of its business;
- (f) a final judgment for an amount of more than \$25,000 shall be entered against the Mortgagor and shall remain unsatisfied or without a stay in respect thereof for a period of sixty (60) days; or,
- (g) any material representation or warranty made by the Mortgagor herein, in the Loan Agreements or in any certificate or financial statement delivered hereunder or thereunder shall prove to be false or misleading in any material respect at the time made.

Section 4.02. Acceleration of Maturity; Rescission and Annulment:

- (a) If an Event of Default described in Section 4.01(a) has occurred and is continuing, any Mortgagee upon which such default has occurred may declare the principal of all its Notes secured hereunder to be due and payable immediately by a notice in writing to the Mortgagor and to the other Mortgagees (failure to provide said notice to any other Mortgagee shall not affect the validity of any acceleration of the Note or Notes by such Mortgagee), and upon such declaration, all unpaid principal (and premium, if any) and accrued interest so declared shall become due and payable immediately, anything contained herein or in any Note or Notes to the contrary notwithstanding.
- (b) If any other Event of Default shall have occurred and be continuing, any Mortgagee may declare the principal of all its Notes secured hereunder to be due and payable immediately by a notice in writing to the Mortgagor and to the other Mortgagees (failure to provide said notice to any other Mortgagee shall not affect the validity of any acceleration of the Note or Notes by such Mortgagee), and upon such declaration, all unpaid principal (and premium, if any) and accrued interest so declared shall become due and payable immediately, anything contained herein or in any Note or Notes to the contrary notwithstanding.
- (c) Upon receipt of actual knowledge of or any notice of acceleration by any Mortgagee, any other Mortgagee may declare the principal of all of its Notes to be due and payable immediately by a notice in writing to the Mortgagor and upon such declaration, all unpaid principal (and premium, if any) and accrued interest so declared shall become due and payable immediately, anything contained herein or in any Note or Notes or Loan Agreements to the contrary notwithstanding.
- (d) If after the unpaid principal of (and premium, if any) and accrued interest on any of the Notes shall have been so declared to be due and payable, all payments in respect of principal and interest which shall have become due and payable by the terms of such Note or Notes (other than amounts due as a result of the acceleration of the Notes) shall be paid to the respective Mortgagees, and (i) all other defaults under the Loan Agreements, the Notes and this Mortgage shall have been made good or cured to the

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satisfaction of the Mortgagees representing at least 80% of the aggregate unpaid principal balance of all of the Notes then outstanding. (ii) proceedings to foreclose the lien of this Mortgage have not been commenced, and (iii) all reasonable expenses paid or incurred by the Mortgagees in connection with the acceleration shall have been paid to the respective Mortgagees, then in every such case such Mortgagees representing at least 80% of the aggregate unpaid principal balance of all of the Notes then outstanding may by written notice to the Mortgagor, for purposes of this Mortgage, annul such declaration and waive such default and the consequences thereof, but no such waiver shall extend to or affect any subsequent default or impair any right consequent thereon.

Section 4.03. Remedies of Mortgagees:

If one or more of the Events of Default shall occur and be continuing, any Mortgagee personally or by attorney, in its or their discretion, may, in so far as not prohibited by law:

- (a) take immediate possession of the Mortgaged Property, collect and receive all credits, outstanding accounts and bills receivable of the Mortgagor and all rents, income, revenues, proceeds and profits pertaining to or arising from the Mortgaged Property, or any part thereof, whether then past due or accruing thereafter, and issue binding receipts therefor; and manage, control and operate the Mortgaged Property as fully as the Mortgagor might do if in possession thereof, including, without limitation, the making of all repairs or replacements deemed necessary or advisable by such Mortgagee in possession;
- (b) proceed to protect and enforce the rights of all of the Mortgagees by suits or actions in equity or at law in any court or courts of competent jurisdiction, whether for specific performance of any covenant or any agreement contained herein or in aid of the execution of any power herein granted or for the foreclosure hereof or hereunder or for the sale of the Mortgaged Property, or any part thereof, or to collect the debts hereby secured or for the enforcement of such other or additional appropriate legal or equitable remedies as may be deemed necessary or advisable to protect and enforce the rights and remedies herein granted or conferred, and in the event of the institution of any such action or suit the Mortgagee instituting such action or suit shall have the right to have appointed a receiver of the Mortgaged Property and of all proceeds, rents, income, revenues and profits pertaining thereto or arising therefrom, whether then past due or accruing after the appointment of such receiver, derived, received or had from the time of the commencement of such suit or action, and such receiver shall have all the usual powers and duties of receivers in like and similar cases, to the fullest extent permitted by law, and if application shall be made for the appointment of a receiver the Mortgagor hereby expressly consents that the court to which such application shall be made may make said appointment; and
- (c) sell or cause to be sold all and singular the Mortgaged Property or any part thereof, and all right, title, interest, claim and demand of the Mortgagor therein or thereto, at public auction at such place in any county (or its equivalent locality) in which the property to be sold, or any part thereof, is located, at such time and upon such terms as may be specified in a notice of sale, which shall state the time when and the place where the sale is to be held, shall contain a brief general description of the property to be sold, and shall be given by mailing a copy thereof to the Mortgagor at least fifteen (15) days prior to the date fixed for such sale and by publishing the same once in each week for two successive calendar weeks prior to the date of such sale in a newspaper of general circulation published in said locality or, if no such newspaper is published in such

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locality. in a newspaper of general circulation in such locality. the first such publication to be not less than fifteen (15) days nor more than thirty (30) days prior to the date fixed for such sale. Any sale to be made under this subparagraph (c) of this Section 4.03 may be adjourned from time to time by announcement at the time and place appointed for such sale or for such adjourned sale or sales, and without further notice or publication the sale may be had at the time and place to which the same shall be adjourned; ~~provided, however,~~ that in the event another or different notice of sale or another or different manner of conducting the same shall be required by law the notice of sale shall be given or the sale be conducted, as the case may be, in accordance with the applicable provisions of law. The expense incurred by any Mortgagee (including, but not limited to, receiver's fees, counsel fees, cost of advertisement and agents' compensation) in the exercise of any of the remedies provided in this Mortgage shall be secured by this Mortgage.

- (d) In the event that a Mortgagee proceeds to enforce remedies under this Section, any other Mortgagee may join in such proceedings. In the event that the Mortgagees are not in agreement with the method or manner of enforcement chosen by any other Mortgagee, the Mortgagees representing a majority of the aggregate unpaid principal balance on the then outstanding Notes may direct the method and manner in which remedial action will proceed.

Section 4.04. Application of Proceeds from Remedial Actions:

Any proceeds or funds arising from the exercise of any rights or the enforcement of any remedies herein provided after the payment or provision for the payment of any and all costs and expenses in connection with the exercise of such rights or the enforcement of such remedies shall be applied first, to the ratable payment of indebtedness hereby secured other than the principal of or interest on the Notes; second, to the ratable payment of interest which shall have accrued on the Notes and which shall be unpaid; third, to the ratable payment of or on account of the unpaid principal of the Notes; and the balance, if any, shall be paid to whomsoever shall be entitled thereto.

Section 4.05. Remedies Cumulative; No Election:

Every right or remedy herein conferred upon or reserved to the Mortgagees or to the Noteholders shall be cumulative and shall be in addition to every other right and remedy given hereunder or now or hereafter existing at law, or in equity, or by statute. The pursuit of any right or remedy shall not be construed as an election.

Section 4.06. Waiver of Appraisal Rights; Marshaling of Assets Not Required:

The Mortgagor, for itself and all who may claim through or under it, covenants that it will not at any time insist upon or plead, or in any manner whatever claim, or take the benefit or advantage of, any appraisal, valuation, stay, extension or redemption laws now or hereafter in force in any locality where any of the Mortgaged Property may be situated, in order to prevent, delay or hinder the enforcement or foreclosure of this Mortgage, or the absolute sale of the Mortgaged Property, or any part thereof, or the final and absolute putting into possession thereof, immediately after such sale, of the purchaser or purchasers thereat, and the Mortgagor, for itself and all who may claim through or under it, hereby waives the benefit of all such laws unless such waiver shall be forbidden by law. Under no circumstances shall there be any marshaling of assets upon any foreclosure or to other enforcement of this Mortgage.

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Section 4.07. Notice of Default:

The Mortgagor covenants that it will give immediate written notice to each Mortgagee of the occurrence of any Event of Default or in the event that any right or remedy described in Sections 4.02 and 4.03 hereof is exercised or enforced or any action is taken to exercise or enforce any such right or remedy.

ARTICLE V

POSSESSION UNTIL DEFAULT-DEFEASANCE CLAUSE

Section 5.01. Possession Until Default:

Until some one or more of the Events of Default shall have happened, the Mortgagor shall be suffered and permitted to retain actual possession of the Mortgaged Property, and to manage, operate and use the same and any part thereof, with the rights and franchises appertaining thereto, and to collect, receive, take, use and enjoy the rents, revenues, issues, earnings, income, proceeds, products and profits thereof or therefrom, subject to the provisions of this Mortgage.

Section 5.02. Defeasance:

If the Mortgagor shall pay or cause to be paid the whole amount of the principal of (and premium, if any) and interest on the Notes at the times and in the manner therein provided, and shall also pay or cause to be paid all other sums payable by the Mortgagor hereunder or under any Loan Agreement and shall keep and perform, all covenants herein required to be kept and performed by it, then and in that case, all property, rights and interest hereby conveyed or assigned or pledged shall revert to the Mortgagor and the estate, right, title and interest of the Mortgagee so paid shall thereupon cease, determine and become void and such Mortgagee, in such case, on written demand of the Mortgagor but at the Mortgagor's cost and expense, shall enter satisfaction of the Mortgage upon the record. In any event, each Mortgagee, upon payment in full to such Mortgagee by the Mortgagor of all principal of (and premium, if any) and interest on any Note held by such Mortgagee and the payment and discharge by the Mortgagor of all charges due to such Mortgagee hereunder or under any Loan Agreement, shall execute and deliver to the Mortgagor such instrument of satisfaction, discharge or release as shall be required by law in the circumstances.

Section 5.03. Special Defeasance:

Other than any Notes excluded by the foregoing Sections 5.01 and 5.02 and Notes which have become due and payable, the Mortgagor may cause the Lien of this Mortgage to be defeased with respect to any Note for which it has deposited or caused to be deposited in trust solely for the purpose an amount sufficient to pay and discharge the entire indebtedness on such Note for principal (and premium, if any) and interest to the date of maturity thereof; PROVIDED, HOWEVER, that depository serving as trustee for such trust must first be accepted as such by the Mortgagee whose Notes are being defeased under this section. In such event, such a Note will no longer be considered to be an Outstanding Note for purposes of this Mortgage and the Mortgagee shall execute and deliver to the Mortgagor such instrument of satisfaction, discharge or release as shall be required by law in the circumstances.

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ARTICLE VI

MISCELLANEOUS

Section 6.01. Property Deemed Real Property:

It is hereby declared to be the intention of the Mortgagor that any electric generating plant or plants and facilities and all electric transmission and distribution lines, or other Electric System or Utility System facilities, embraced in the Mortgaged Property, including (without limitation) all rights of way and easements granted or given to the Mortgagor or obtained by it to use real property in connection with the construction, operation or maintenance of such plant, lines, facilities or systems, and all other property physically attached to any of the foregoing, shall be deemed to be real property.

Section 6.02. Mortgage to Bind and Benefit Successors and Assigns:

All of the covenants, stipulations, promises, undertakings and agreements herein contained by or on behalf of the Mortgagor shall bind its successors and assigns, whether so specified or not, and all titles, rights and remedies hereby granted to or conferred upon the Mortgagees shall pass to and inure to the benefit of the successors and assigns of the Mortgagees and shall be deemed to be granted or conferred for the ratable benefit and security of all who shall from time to time be a Mortgagee. The Mortgagor hereby agrees to execute such consents, acknowledgments and other instruments as may be reasonably requested by any Mortgagee in connection with the assignment, transfer, mortgage, hypothecation or pledge of the rights or interests of such Mortgagee hereunder or under the Notes or in and to any of the Mortgaged Property.

Section 6.03. Headings:

The descriptive headings of the various articles and sections of this Mortgage and also the table of contents were formulated and inserted for convenience only and shall not be deemed to affect the meaning or construction of any of the provisions hereof.

Section 6.04. Severability Cause:

In case any provision of this Mortgage or in the Notes or in the Loan Agreements shall be invalid or unenforceable, the validity, legality and enforceability of the remaining provisions thereof shall not in any way be affected or impaired, nor, nor shall any invalidity or unenforceability as to any Mortgagee hereunder affect or impair the rights hereunder of any other Mortgagee.

Section 6.05. Mortgage Deemed Security Agreement:

To the extent that any of the property described or referred to in this Mortgage is governed by the provisions of the UCC this Mortgage is hereby deemed a "security agreement" under the UCC, and, if so elected by any Mortgagee, a "financing statement" under the UCC for said security agreement. The mailing addresses of the Mortgagor as debtor, and the Mortgagees as secured parties are as set forth in Schedule "A" hereof. If any Mortgagee so directs the Mortgagor to do so, the Mortgagor shall file as a financing statement under the UCC for said security agreement and for the benefit of all of the Mortgagees, an instrument other than this Mortgage. In such case, the instrument to be filed shall be in a form customarily accepted by the filing office as a financing statement. PROCEEDS OF COLLATERAL ARE COVERED HEREBY.

Section 6.06. Indemnification by Mortgagor of Mortgagees:

The Mortgagor agrees to indemnify and save harmless each Mortgagee against any liability or damages which any of them may incur or sustain in the exercise and performance of their rightful powers and duties hereunder. For such reimbursement and indemnity, each Mortgagee shall be secured under this Mortgage in the same manner as the Notes and all such reimbursements for expense or damage shall be paid to the Mortgagee incurring or suffering the same with interest at the rate specified in Section 3.14 hereof. The Mortgagor's obligation to indemnify the Mortgagees under this section and under Section 3.04 shall survive the satisfaction of the Notes, the reconveyance or foreclosure of this Mortgage, the acceptance of a deed in lieu of foreclosure, or any transfer or abandonment of the Mortgaged Property.

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

NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION

by *Robert C. Wade*

Chairperson
President

(Seal)

Attest: *A. L. Rosenberger*
Secretary

Executed by the Mortgagor
in the presence of:

Janice M. Spowles
[Signature]
Witnesses

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UNITED STATES OF AMERICA

by *James C. Ruyter*

Acting Director - Northern
Regional Division
of the
Rural Utilities Service

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

John R. Lattie
Bert L. Huntington
Witnesses

NATIONAL RURAL UTILITIES COOPERATIVE
FINANCE CORPORATION

by *By Russell*
Assistant Secretary-Treasurer

(SEAL)

Attest: *Jessie Ebert*
Assistant Secretary-Treasurer

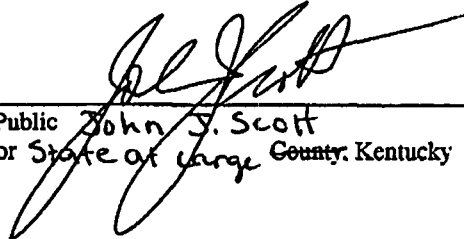
Executed by the above-named, Mortgagee, in the
presence of:

Katie McCall
Garlene Miller
Witnesses

COMMONWEALTH OF KENTUCKY)
COUNTY OF Hardin) SS

I, John J. Scott, a Notary Public in and for the County and
Commonwealth aforesaid, do hereby certify that Robert C. Wade, personally
known to me to be the ~~President~~ ^{Chair person} of Nolin Rural Electric Cooperative Corporation, a corporation of the
Commonwealth of Kentucky, and to me known to be the identical person whose name is as ~~President~~ ^{Chair person} of said
corporation, subscribed to the foregoing instrument, appeared before me this day in person and produced the
foregoing instrument to me in the County aforesaid and acknowledged that as such ~~President~~ ^{Chair person} he signed the
foregoing instrument pursuant to authority given by the board of directors of said corporation as his free and
voluntary act and deed and as the free and voluntary act and deed of said corporation for the uses and purposes
therein set forth and that the seal affixed to the foregoing instrument is the corporate seal of said corporation.

Given under my hand this 21 day of August, 1997


Notary Public John J. Scott
in and for State of large County, Kentucky

(Notarial Seal)

My Commission expires: 9-11-97

DISTRICT OF COLUMBIA) SS

On this 2nd day of May, 1997, personally appeared before me **Acting**
JAMES A. RUSPI, who, being duly sworn, did say that he is the Director -
Northern Regional Division 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.

William A. Frost
Notary Public

(Notarial Seal)

William A. Frost
Notary Public District of Columbia
My Commission Expires: April 14, 2001

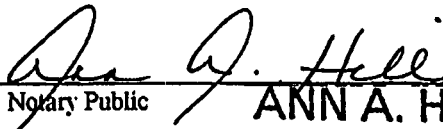
My commission expires: _____

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COMMONWEALTH OF VIRGINIA)
) SS
COUNTY OF FAIRFAX)

On this 8th day of May, 19 97, 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 ANN A. HILL

(Notarial Seal)

My commission expires: My Commission Expires May 31, 1996

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SCHEDULE A: Part One

1. The Maximum Debt Limit referred to in Section 1.01 is \$50,000,000.00
2. The state referred to in Section 1.04 is Kentucky.
3. The addresses of the parties referred to in Section 1.05 are as follows:

As to the Mortgagor:

Nolin Rural Electric Cooperative Corporation
612 East Dixie Avenue
Elizabethtown, Kentucky 42701-1094

As to the Mortgagees:

Rural Utilities Service
United States Department of Agriculture
Washington, DC 20250-1500

National Rural Utilities
Cooperative Finance Corporation
2201 Cooperative Way
Herndon, Virginia 20171-3025

4. 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	December 20, 1991
Supplement to Restated Mortgage and Security Agreement	July 13, 1995

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5. 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 the Government¹					
<u>Loan Designation</u>	<u>Face Amount</u>	<u>Date</u>	<u>Final Maturity</u>	<u>% Rate²</u>	
M	\$ 712,000.00	8 Oct 1959	9 Oct 1997	2.00	
N	857,000.00	15 Mar 1963	16 Mar 2001	2.00	
P	418,000.00	7 Nov 1967	7 Nov 2002	2.00	
S2	541,000.00	9 Mar 1972	9 Mar 2007	2.00	
U2	372,000.00	18 Jan 1973	18 Jan 2008	2.00	
V6	316,000.00	16 Apr 1974	16 Apr 2009	5.00	
W6	314,000.00	17 Jan 1975	17 Jan 2010	5.00	
X6	876,000.00	24 Feb 1976	24 Feb 2011	5.00	
Y6	876,000.00	1 Mar 1977	1 Mar 2012	5.00	
Z6	2,146,000.00	27 Mar 1978	27 Mar 2013	5.00	
AA6	2,049,000.00	5 Nov 1980	5 Nov 2015	5.00	
AB6	1,153,000.00	9 Jun 1983	9 Jun 2018	5.00	
AD8	2,000,000.00	20 Dec 1991	31 Dec 2025	V	
AC6	2,360,000.00	10 Sep 1992	10 Sep 2027	5.00	
AE61	3,480,000.00	13 Jul 1995	13 Jul 2030	V	
AF61	4,613,000.00	1 May 1997	1 May 2032	V	

¹"Government" as used in this listing refers to the United States of America acting through the Administrator of the Rural Utilities Service (RUS) or its predecessor agency, the Rural Electrification Administration (REA). Any Notes which are payable to a third party and which either RUS or REA has guaranteed as to payment are also described in this listing as being issued to the Government. Such guaranteed Notes are typically issued to the Federal Financing Bank, an instrumentality of the United States Treasury, and held by RUS.

²V=variable interest rate calculated by RUS pursuant to title 7 of the Code of Federal Regulations or by the United States Treasury, Federal Financing Bank.

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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>
KY 51 C-9001	\$135,000.00	3-9-72	3-9-07
KY 51 C-9004	\$159,000.00	1-18-73	4-18-08
KY 51 C-9005	\$135,000.00	4-16-74	4-16-09
KY 51 C-9008	\$135,000.00	1-17-75	1-17-10
KY 51 C-9010	\$375,000.00	2-24-76	2-24-11
KY 51 C-9012	\$375,000.00	3-1-76	3-1-12
KY 51 C-9014	\$920,000.00	3-27-78	3-27-13
KY 51 C-9019	\$924,000.00	11-5-80	11-5-15
KY 51 C-9022	\$520,000.00	6-9-83 substituted by 8-6-87	6-9-18
KY 51 C-9023	\$1,031,633.00	9-10-92	9-10-27
KY 51 C-9024	\$1,492,000.00	7-13-95	7-13-30
KY 51 C-9025	\$1,977,000.00	5-1-97	5-1-32

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Schedule B

Property Schedule

The fee and leasehold interests in real property referred to in Subclause A of Granting Clause First are described on the attached pages designated 1 through 2 of this Schedule B.

The recording jurisdictions referred to in Subclause B of Granting Clause First are: the Counties of Breckinridge, Grayson, Green, Hardin, Hart, LaRue, Meade and Taylor in the Commonwealth of Kentucky.

The contracts referred to in Subclause C of Granting Clause First include without limitation the Wholesale Power Contract, dated as of October 1, 1964, between the Mortgagor and East Kentucky Power Cooperative, Inc.

1. A certain tract of land was deeded on March 10, 1948 to Nolin Rural Electric Cooperative Corporation by Stokley Bowling and Jessie Bowling, his wife, and was recorded on April 16, 1948 in the office of the Clerk of the County Court of Hardin in the state of Kentucky in Deed Book number 124, on page 520.
2. A certain tract of land was deeded on March 10, 1948 to Nolin Rural Electric Cooperative Corporation by P. B. Milburn and Godsy Milburn, his wife, and was recorded on April 16, 1948 in the office of the clerk of the County Court of Hardin in the state of Kentucky in Deed Book number 124, on page 517.
3. A certain tract of land was deeded on March 10, 1948 to Nolin Rural Electric Cooperative Corporation by P. B. Milburn, Godsy Milburn, his wife, Stokley Bowling and Jessie Bowling, his wife, and was recorded on April 16, 1948, in the office of the Clerk of the County Court of Hardin in the state of Kentucky in Deed Book number 124, on page 518.
4. A certain tract of land was deeded on December 18, 1954 to Nolin Rural Electric Cooperative Corporation by Ree Miller and Ben Miller, her husband, and was recorded on December 20, 1954 in the office of the Clerk of the County Court of Hardin in the state of Kentucky in Deed Book number 145, on page 230.
5. A certain tract of land was deeded on February 26, 1970 to Nolin Rural Electric Cooperative Corporation by Wayne G. Overall, Jr., and Nancy J. Overall, his wife and was recorded on March 4, 1970 in the office of the Clerk of the County Court of Hardin in the state of Kentucky in Deed Book number 224, on pages 1 and 2.

6. A certain tract of land was deeded on September 26, 1979 to Nolin Rural Electric Cooperative Corporation by Howard Pierce and Lorene Pierce, his wife, and was recorded on October 1, 1979, in the office of the Clerk of the County Court of Hardin in the state of Kentucky in Deed Book 382 on pages 152 and 153.
7. A certain tract of land was deeded on January 11, 1993 to Nolin Rural Electric Cooperative Corporation by Teri Foster Adams and Theresa Marie Adams, his wife, and was recorded on January 11, 1993, in the office of the Clerk of the County Court of Hardin in the state of Kentucky in Deed Book 751 on pages 709-712.
8. A certain tract of land was deeded on April 8, 1993 to Nolin Rural Electric Cooperative Corporation by Elizabethtown Industrial Foundation, Inc., a Kentucky-Non-Profit Corporation, and was recorded on April 8, 1993, in the office of the Clerk of the County Court of Hardin in the state of Kentucky in Deed Book 757 on pages 521-523.

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**Schedule C
Excepted Property**

None.

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Exhibit A

Manager's Certificate

MANAGER'S CERTIFICATE REQUIRED UNDER MORTGAGE SECTION 2.01 FOR ADDITIONAL NOTES

On behalf of _____ (the "Borrower"),
(Name of Borrower)

I _____ hereby certify as follows:

1. I am the Manager of the Borrower and have been duly authorized to deliver this certificate in connection with the Additional Note or Notes to be issued on or about _____ pursuant to Section 2.01 of the Mortgage (Date Note or Notes are to be Signed)

dated _____

2. No Event of Default has occurred and is continuing under the Mortgage, 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.

3. The Additional Notes described in paragraph 1 are for the purpose of funding Property Additions being constructed, acquired, procured or replaced that are or will become part of the Borrower's Utility System.

4. The Property Additions referred to in paragraph 3 are Eligible Property Additions, i.e. Property Additions acquired or whose construction was completed not more than 5 years prior to the issuance of additional Notes and Property Additions acquired or whose construction is started and/or completed not more than 4 years after issuance of the additional Notes, but shall exclude any Property Additions financed by any other debt secured under the Mortgage at the time additional Notes are issued

5. I have reviewed the certificate of the Independent certified public accountant also being delivered to each of the Mortgagees pursuant to Section 2.01 in connection with the aforesaid Additional Note or Notes and concur with the conclusions expressed therein.

6. Capitalized terms that are used in this certificate but are not defined herein have the meanings defined in the Mortgage.

Signed Date

Name

Title

Name and Address of Borrower:

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Exhibit B

Form of Supplemental Mortgage

Supplemental Mortgage and Security Agreement, dated as of _____, (hereinafter sometimes called this "Supplemental Mortgage") is made by and among _____ (hereinafter called the "Mortgagor"), a corporation existing under the laws of the State of _____, and the UNITED STATES OF AMERICA acting by and through the Administrator of the Rural Utilities Service (hereinafter called the "Government"), _____ (Supplemental Lender) (hereinafter called _____), a _____ existing under the laws of _____ and intended to confer rights and benefits on both the Government and _____ and _____ in accordance with this Supplemental Mortgage and the Original Mortgage (hereinafter defined) (the Government and the Supplemental Lenders being hereinafter sometimes collectively referred to as the "Mortgagees").

Recitals

Whereas, the Mortgagor, the Government and _____ 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 between the Mortgagor, the Government acting by and through the Administrator of the Rural Utilities Service (hereinafter called "RUS"), and _____; 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, and to add _____ as a Mortgagee and secured party hereunder and under the Existing Mortgage (the Supplemental Mortgage and the Existing Mortgage, hereinafter sometimes collectively referred to the "Mortgage"); and

Whereas, all of the Mortgagor's Outstanding Notes listed in Schedule "A" hereto is 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 do hereby add _____ as a Mortgagee and a secured party under the Existing Mortgage); and

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Whereas, all acts necessary to make this Supplemental Mortgage a valid and binding legal instrument for the security of such notes and related 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 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 on Schedule "C" hereof 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 to 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, _____ as Mortgagor.

[ACKNOWLEDGMENTS]

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Supplemental Mortgage Schedule B

Property Schedule

The fee and leasehold interests in real property referred to in clause A of the granting clause are more particularly described as follows:

REC'D. ST. ... 10/1/97
NEED TAX ...
LODGED AND RECORDED
OCT 23 8 44 AM '97
DAVID L. LOGSDON
HARDIN COUNTY CLERK
BY *M. Sweeney* D.C.

STATE OF KENTUCKY
COUNTY OF HARDIN, SCT.
DAVID L. LOGSDON, CLERK OF SAID
COUNTY COURT, HEREBY CERTIFY
THAT THE FOREGOING INSTRUMENT
HAS BEEN DULY RECORDED IN *11/1/97*
BOOK *799* PAGE *319* IN MY
SAID OFFICE.
DAVID L. LOGSDON, CLERK
BY *David Drangor* D.C.

WHITLOW & SCOTT
ATTORNEYS AT LAW
108 EAST POPLAR STREET
P. O. BOX 389
ELIZABETHTOWN, KENTUCKY 42702-0389

TELEPHONE 502-765-2179
FAX 502-765-2180

JAMES T. WHITLOW
JOHN J. SCOTT

August 4, 1999

LINCOLN SQUARE
HODGENVILLE, KENTUCKY 42748
502-358-4344

AUG 11 1999

PUBLIC SERVICE
COMMISSION

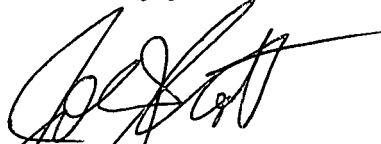
Ms. Stephanie Bell
Secretary of the Commission
Public Service Commission
730 Schenkel Lane
P.O. Box 615
Frankfort, Kentucky 40602-0615

Re: Case No. 99-252

Dear Ms. Bell:

Please find enclosed a Motion for an extension of time to respond to requests for information in the above-styled case.

Sincerely yours,



John J. Scott, Attorney for Nolin
Rural Electric Cooperative Corporation,

JJS/rrd

Enclosures

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

AUG 1 0 1999

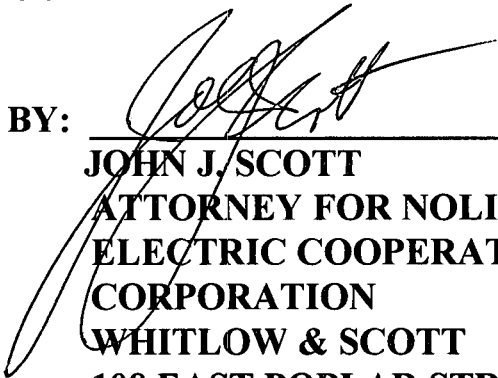
IN THE MATTER OF:

APPLICATION OF THE NOLIN RURAL) CASE NO. 99-252
ELECTRIC COOPERATIVE CORPORATION)
FOR AN ORDER PURSUANT TO KRS 278.300)
AND 807KAR5:001, SECTION 11 AND)
RELATED SECTIONS AUTHORIZING THE)
COOPERATIVE TO OBTAIN A LINE OF)
CREDIT LOAN IN THE AMOUNT OF)
\$13,000,000.00 FROM THE NATIONAL)
RURAL UTILITIES COOPERATIVE)
FINANCE CORPORATION)

MOTION FOR EXTENSION OF TIME TO RESPOND TO REQUESTS

Comes Nolin Rural Electric Cooperative Corporation, by counsel, and moves the Commission for an extension of time to August 27, 1999 in which to respond to the requests for information requested by the Commission in its Order dated July 29, 1999.

NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION

BY: 

JOHN J. SCOTT
ATTORNEY FOR NOLIN RURAL
ELECTRIC COOPERATIVE
CORPORATION
WHITLOW & SCOTT
108 EAST POPLAR STREET
P.O. BOX 389
ELIZABETHTOWN, KY. 42702-0389
(270) 765-2179

WHITLOW & SCOTT
ATTORNEYS AT LAW
108 EAST POPLAR STREET
P.O. BOX 389
ELIZABETHTOWN, KY
42702-0389
270-765-2179
FAX NO.: 270-765-2180



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

August 13, 1999

Michael L. Miller
General Manager
Nolin R.E.C.C.
411 Ring Road
Elizabethtown, KY. 42701 8701

Honorable John J. Scott
Attorney at Law
Whitlow & Scott
108 East Poplar Street
P. O. Box 389
Elizabethtown, KY. 42702 0389

RE: Case No. 99-252

We enclose one attested copy of the Commission's Order in
the above case.

Sincerely,

A handwritten signature in cursive script that reads "Stephanie J. Bell".

Stephanie Bell
Secretary of the Commission

SB/sa
Enclosure

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF NOLIN RURAL ELECTRIC)
COOPERATIVE CORPORATION FOR AN ORDER)
PURSUANT TO KRS 278.300 AND 807 KAR 5:001,)
SECTION 11 AND RELATED SECTIONS AUTHORIZING) CASE NO.
THE COOPERATIVE TO OBTAIN A LINE OF CREDIT) 99-252
LOAN IN THE AMOUNT OF \$13,000,000.00 FROM THE)
NATIONAL RURAL UTILITIES COOPERATIVE)
FINANCE CORPORATION)

and

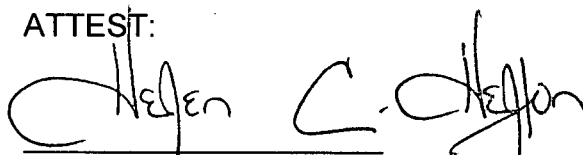
APPLICATION OF NOLIN RURAL ELECTRIC)
COOPERATIVE CORPORATION FOR AN ORDER)
PURSUANT TO KRS 278.300 AND 807 KAR 5:001,)
SECTION 11 AND RELATED SECTIONS AUTHORIZING) CASE NO.
THE COOPERATIVE TO OBTAIN A LOAN IN THE) 99-259
AMOUNT OF \$4,300,000.00 FROM THE NATIONAL)
RURAL UTILITIES COOPERATIVE FINANCE)
CORPORATION)

O R D E R

Nolin Rural Electric Cooperative Corporation having moved for an extension of time until August 27, 1999 in which to respond to the Commission's July 29, 1999 Orders in the above-styled proceedings and the Commission finding good cause, IT IS HEREBY ORDERED that the motions are granted.

Done at Frankfort, Kentucky, this 13th day of August, 1999.

ATTEST:



Executive Director

By the Commission



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

July 29, 1999

Michael L. Miller
General Manager
Nolin R.E.C.C.
411 Ring Road
Elizabethtown, KY. 42701 8701

Honorable John J. Scott
Attorney at Law
Whitlow & Scott
108 East Poplar Street
P. O. Box 389
Elizabethtown, KY. 42702 0389

RE: Case No. 99-252

We enclose one attested copy of the Commission's Order in
the above case.

Sincerely,

A handwritten signature in cursive script that reads "Stephanie Bell".

Stephanie Bell
Secretary of the Commission

SB/sa
Enclosure

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF THE NOLIN RURAL)
ELECTRIC COOPERATIVE CORPORATION FOR)
AN ORDER PURSUANT TO KRS 278.300 AND)
807 KAR 5:001, SECTION 11 AND RELATED)
SECTIONS AUTHORIZING THE COOPERATIVE TO) CASE NO. 99-252
OBTAIN A LINE OF CREDIT LOAN IN THE)
AMOUNT OF \$13,000,000.00 FROM THE)
NATIONAL RURAL UTILITIES COOPERATIVE)
FINANCE CORPORATION)

O R D E R

IT IS ORDERED that Nolin Rural Electric Cooperative Corporation ("Nolin") shall file an original and 8 copies of the following information with the Commission, with a copy to all parties of record. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible. Where information requested herein has been provided previously, in the format requested herein, reference may be made to the specific location of said information in responding to this information request. The information requested herein shall be filed no later than 14 days from the date of this Order.

1. Nolin's application contains a certification notice indicating that the proposed loan is associated with the National Rural Utilities Cooperative Finance Corporation's ("CFC") "PowerVision" program.

a. Provide a thorough description of the "PowerVision" program. Include any literature or other information from CFC explaining this program.

b. As of the date of this Order, provide the fixed and variable interest rates available for the proposed financing.

c. Provide a listing of the requirements Nolin has to meet to qualify for this program, and indicate how Nolin satisfies these requirements.

d. Describe the analysis performed by Nolin that led it to conclude that a loan through the "PowerVision" program was the most reasonable alternative. Include a discussion of other financing options considered.

e. Does the "PowerVision" program replace any of CFC's more traditional financing options? Explain the response.

f. Will Nolin still need to seek supplemental financing for its periodic Work Plans, which traditionally 30 percent of the total has been financed by supplemental lenders? Explain the response.

g. Provide a detailed explanation of the benefits Nolin believes it will receive by participating in the "PowerVision" program.

2. In its application, Nolin refers to the proposed financing as a line of credit. However, the May 4, 1999 approval letter from CFC refers to this financing as a long-term loan.

a. Explain why Nolin considers the proposed financing to be a line of credit rather than a supplemental long-term loan.

b. What is the status of Nolin's existing line of credit with CFC? Include the amount of the line of credit, the outstanding amount as of June 30, 1999, and the current interest rate.

c. Will Nolin retain its current line of credit if the proposed financing is approved? Explain the response.

3. Provide copies of the unexecuted "PowerVision" loan documents.

4. Are Nolin's current revenues sufficient to cover the increased debt costs represented by the proposed financing? Explain the response.

5. Nolin's application states that all mortgages prior to August 31, 1993 are on file with the Commission in Case No. 93-324.¹ Explain why the application does not include copies of the May 1, 1997 Restated Mortgage and Security Agreement as required by 807 KAR 5:001, Section 11(2)(b). Also provide two copies of this May 1, 1997 mortgage.

6. In its application, Nolin states that the proceeds from the proposed financing will be used to reimburse general funds for operating expenditures and construction costs until long-term loan funds are available.

¹ Case No. 93-324, Application of the Nolin Rural Electric Cooperative Corporation for an Order Pursuant to KRS 278.300 and 807 KAR 5:001, Section 11 and Related Sections Authorizing the Cooperative to Obtain a Five (5) Year Line of Credit in the Amount of \$3,000,000.00 from the National Rural Utilities Cooperative Finance Corporation, final Order dated November 29, 1993.

a. Since the advances under the proposed financing can be amortized over a period up to 35 years, explain why the proposed financing does not already constitute long-term loan funds.

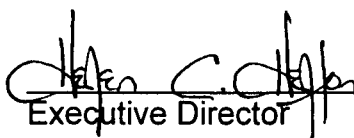
b. Does the proposed use of these proceeds overlap with the use of the funds available from Nolin's existing line of credit? Explain the response.

c. Provide a more detailed explanation of the use of the proceeds from the proposed financing. As an example, based on Nolin's current financial forecasts, describe how the proposed financing would be used over the next 5-year period.

Done at Frankfort, Kentucky, this 29th day of July, 1999.

By the Commission

ATTEST:


Executive Director



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

July 19, 1999

Michael L. Miller
General Manager
Nolin R.E.C.C.
411 Ring Road
Elizabethtown, KY. 42701 8701

Honorable John J. Scott
Attorney at Law
Whitlow & Scott
108 East Poplar Street
P. O. Box 389
Elizabethtown, KY. 42702 0389

RE: Case No. 99-252
NOLIN R.E.C.C.

The Commission staff has reviewed your response of July 15, 1999 and has determined that your application in the above case now meets the minimum filing requirements set by our regulations. Enclosed please find a stamped filed copy of the first page of your filing. This case has been docketed and will be processed as expeditiously as possible.

If you need further information, please contact my staff at 502/564-3940.

Sincerely,

A handwritten signature in black ink that reads "Stephanie Bell".

Stephanie Bell
Secretary of the Commission

SB/sa
Enclosure

WHITLOW & SCOTT
ATTORNEYS AT LAW
108 EAST POPLAR STREET
P. O. BOX 389
ELIZABETHTOWN, KENTUCKY 42702-0389

JAMES T. WHITLOW
JOHN J. SCOTT

TELEPHONE 502-765-2179
FAX 502-765-2180

June 11, 1999

LINCOLN SQUARE
HODGENVILLE, KENTUCKY 42748
502-358-4344

Ms. Helen C. Helton
Executive Director
Public Service Commission
730 Schenkel Lane
Frankfort, Kentucky 40602

FILED

JUL 15 1999

PUBLIC SERVICE
COMMISSION

RECEIVED

JUN 14 1999

PUBLIC SERVICE
COMMISSION

Re: Nolin R.E.C.C.

CAE 99-252

Dear Ms. Helton:

Please find enclosed an original and 10 copies of an Application for Nolin Rural Electric Cooperative Corporation to obtain approval of a line of credit loan in the amount of \$13,000,000.00 from the National Rural Utilities Cooperative Finance Corporation.

Sincerely yours,


John J. Scott

JJS/rrd

Enclosure

WHITLOW & SCOTT
ATTORNEYS AT LAW
108 EAST POPLAR STREET
P. O. BOX 389
ELIZABETHTOWN, KENTUCKY 42702-0389

TELEPHONE 502-765-2179
FAX 502-765-2180

JAMES T. WHITLOW
JOHN J. SCOTT

LINCOLN SQUARE
HODGENVILLE, KENTUCKY 42748
502-358-4344

July 14, 1999

Ms. Stephanie Bell
Secretary of the Commission
Public Service Commission
730 Schenkel Lane
P.O. Box 615
Frankfort, Kentucky 40602-0615

RECEIVED

JUL 15 1999

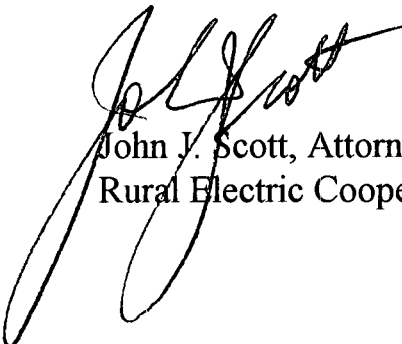
PUBLIC SERVICE
COMMISSION

Re: Case No. 99-252

Dear Ms. Bell:

Pursuant to your letter of June 30, 1999, please find enclosed an original and ten (10) copies of the Response of Nolin R.E.C.C. to the request for additional information in the above-styled case.

Sincerely yours,


John J. Scott, Attorney for Nolin
Rural Electric Cooperative Corporation,

JJS/rrd

Enclosures

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED
JUL 15 1999
PUBLIC SERVICE
COMMISSION

IN THE MATTER OF:

APPLICATION OF THE NOLIN RURAL)
ELECTRIC COOPERATIVE CORPORATION)
FOR AN ORDER PURSUANT TO KRS 278.300)
AND 807KAR5:001, SECTION 11 AND)
RELATED SECTIONS AUTHORIZING THE)
COOPERATIVE TO OBTAIN A LINE OF)
CREDIT LOAN IN THE AMOUNT OF)
\$13,000,000.00 FROM THE NATIONAL)
RURAL UTILITIES COOPERATIVE)
FINANCE CORPORATION)

CASE NO. 99-252

RECEIVED
JUL 15 1999
PUBLIC SERVICE
COMMISSION

**RESPONSE TO ADDITIONAL INFORMATION
REQUIRED PURSUANT TO 807KAR5:001, SECTION 11(1)(b):**

The additional information requested by the Commission concerning the Promissory Note to be obtained by Nolin Rural Electric Cooperative Corporation from the National Rural Utilities Cooperative Finance Corporation is as follows:

1. The loan to be obtained by Nolin shall be a \$13,000,000.00 line of credit evidenced by a Promissory Note which will have a maturity date of forty (40) years from the date of the Note and with advances which shall be amortized over a period not to exceed thirty-five (35) years from the date of each advance. Payments shall be by either quarterly or monthly installments, as determined by CFC.
2. The interest rate for this loan will be either a fixed rate or a variable rate, to be determined by the borrower in writing prior to each advance being made on the Promissory Note. If the CFC fixed rate is elected, then such rate shall be that rate then in effect as the CFC fixed rate at the time the

WHITLOW & SCOTT
ATTORNEYS AT LAW
108 EAST POPLAR STREET
P. O. BOX 389
ELIZABETHTOWN, KY
42702-0389
502-765-2179
FAX NO.: 502-765-2180

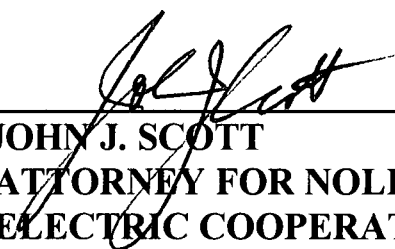
advance is requested by the borrower. If the borrower elects the CFC variable rate, then such CFC variable rate shall apply until the maturity date.

3. The security for the Promissory Note will be the current Restated Mortgage and Security Agreement dated May 1, 1997 between Nolin Rural Electric Cooperative Corporation, the National Rural Utilities Cooperative Finance Corporation and the United States of America, which grants to the mortgagees a security interest in the real estate owned by Nolin Rural Electric Cooperative Corporation.

Submitted this 14th day of July, 1999.

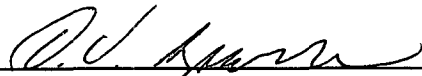
NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION

BY: _____


JOHN J. SCOTT
ATTORNEY FOR NOLIN RURAL
ELECTRIC COOPERATIVE
CORPORATION
WHITLOW & SCOTT
108 EAST POPLAR STREET
P.O. BOX 389
ELIZABETHTOWN, KY. 42702-0389
(270) 765-2179

I, **O.V. SPARKS**, Administration and Finance Manager of Nolin Rural Electric Cooperative Corporation, state that I have read and understand the foregoing Response and that the statements contained therein are true.

**NOLIN RURAL ELECTRIC
COOPERATIVE CORPORATION**

BY: 

**O.V. SPARKS, Administration
and Finance Manager**

STATE OF KENTUCKY
COUNTY OF HARDIN

I, the undersigned, a Notary Public, do hereby certify that on this 14th day of July, 1999, personally appeared before me **O.V. SPARKS**, who being by me first duly sworn, subscribed to and acknowledged that he is the **Administration and Finance Manager** of **Nolin Rural Electric Cooperative Corporation**, a Kentucky corporation, that he signed the foregoing document as **Administration and Finance Manager** of the corporation, and that the statements therein contained are true.



NOTARY PUBLIC, State of Kentucky
At Large

My commission expires 9-11-01



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KENTUCKY 40602
www.psc.state.ky.us
(502) 564-3940
Fax (502) 564-3460

Ronald B. McCloud, Secretary
Public Protection and
Regulation Cabinet

Helen Helton
Executive Director
Public Service Commission

Paul E. Patton
Governor

July 1, 1999

Michael L. Miller
General Manager
Nolin R.E.C.C.
411 Ring Road
Elizabethtown, KY 42701-8701

John J. Scott
Attorney at Law
Whitlow & Scott
108 East Poplar Street
P.O. Box 389
Elizabethtown, KY 42702-0389

Re: Case No. 99-252
Filing Deficiencies

Gentlemen:

The Commission staff has conducted an initial review of your filing in the above case. This filing is rejected pursuant to 807 KAR 5:001, Section 2, as it is deficient in certain filing requirements. The items listed below are either required to be filed with the application or must be referenced if they are already on file in another case or will be filed at a later date.


Filing deficiencies pursuant to 807 KAR 5:001, Section 11(1)(b):

- 1) Full description of all terms.
- 2) Interest rate(s).
- 3) Whether the dept is to be secured and if so a description of how it's secured.



The statutory time period in which the Commission must process this case will not commence until the above-mentioned information is filed with the Commission. You are requested to file 10 copies of this information within 15 days of the date of this letter. If you need further information, please contact Isaac Scott of my staff at (502)564-3940, ext. 444.

Sincerely,



Stephanie Bell
Secretary of the Commission

sa





COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION

730 SCHENKEL LANE
POST OFFICE BOX 615
FRANKFORT, KY. 40602
(502) 564-3940

June 22, 1999

Michael L. Miller
General Manager
Nolin R.E.C.C.
411 Ring Road
Elizabethtown, KY. 42701 8701

Honorable John J. Scott
Attorney at Law
Whitlow & Scott
108 East Poplar Street
P. O. Box 389
Elizabethtown, KY. 42702 0389

RE: Case No. 99-252
NOLIN R.E.C.C.
(Financing) AMOUNT OF \$13,000,000

This letter is to acknowledge receipt of initial application in the above case. The application was date-stamped received June 14, 1999 and has been assigned Case No. 99-252. In all future correspondence or filings in connection with this case, please reference the above case number.

If you need further assistance, please contact my staff at 502/564-3940.

Sincerely,

A handwritten signature in cursive script that reads "Stephanie Bell".

Stephanie Bell
Secretary of the Commission

SB/jc

WHITLOW & SCOTT
ATTORNEYS AT LAW
108 EAST POPLAR STREET
P. O. BOX 389
ELIZABETHTOWN, KENTUCKY 42702-0389

TELEPHONE 502-765-2179
FAX 502-765-2180

JAMES T. WHITLOW
JOHN J. SCOTT

June 11, 1999

LINCOLN SQUARE
HODGENVILLE, KENTUCKY 42748
502-358-4344

Ms. Helen C. Helton
Executive Director
Public Service Commission
730 Schenkel Lane
Frankfort, Kentucky 40602

FILED

JUL 15 1999
PUBLIC SERVICE
COMMISSION

RECEIVED

JUN 14 1999
PUBLIC SERVICE
COMMISSION

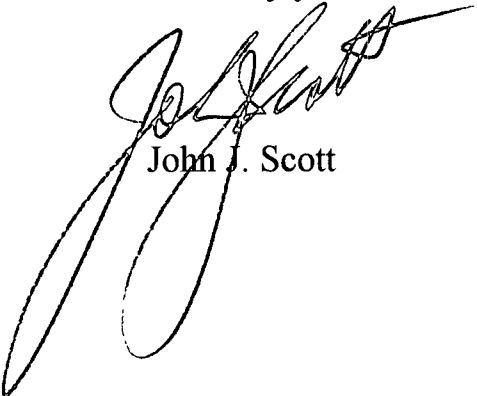
Re: Nolin R.E.C.C.

CAE 99-252

Dear Ms. Helton:

Please find enclosed an original and 10 copies of an Application for Nolin Rural Electric Cooperative Corporation to obtain approval of a line of credit loan in the amount of \$13,000,000.00 from the National Rural Utilities Cooperative Finance Corporation.

Sincerely yours,



John J. Scott

JJS/rrd

Enclosure

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

APPLICATION OF THE NOLIN RURAL)
ELECTRIC COOPERATIVE CORPORATION)
FOR AN ORDER PURSUANT TO KRS 278.300)
AND 807KAR5:001, SECTION 11 AND)
RELATED SECTIONS AUTHORIZING THE)
COOPERATIVE TO OBTAIN A LINE OF)
CREDIT LOAN IN THE AMOUNT OF)
\$13,000,000.00 FROM THE NATIONAL)
RURAL UTILITIES COOPERATIVE)
FINANCE CORPORATION)

CASE NO. 99-252

RECEIVED

JUN 14 1999

PUBLIC SERVICE
COMMISSION

APPLICATION

The Petition of Nolin Rural Electric Cooperative Corporation respectfully shows:

1. Applicant is a cooperative corporation organized and existing under the laws of the Commonwealth of Kentucky and is engaged in the business of purchasing and selling electric current and maintaining an electric distribution system. The applicant now operates and does business in the counties of Hardin, LaRue, Hart, Grayson, Green, Taylor, Breckinridge and Meade. The full name of the applicant is the Nolin Rural Electric Cooperative Corporation.
2. The post office address of the applicant is 411 Ring Road, Elizabethtown, Kentucky 42701.
3. Certified copies of the Articles of Incorporation and all Amendments thereto as well as mortgages of the Applicant prior to August 31, 1993 have previously been filed with the Commission in Case No. 93-324

which was styled "Application of the Nolin Rural Electric Cooperative Corporation for an Order pursuant to KRS 278.300 and 807KAR5:001, Section 11 and related sections authorizing the cooperative to obtain a five (5) year line of credit in the amount of \$3,000,000.00 from the National Rural Utilities Cooperative Finance Corporation."

4. A general description of Applicant's property in the field of its operation, together with the statement of the original cost of the property and the cost to the Applicant follows:

Nolin Rural Electric Cooperative Corporation's property consists of approximately 2,559.28 miles of electric distribution line and other properties necessary and incidental to the operation of its system in the foregoing counties. The original cost of the Applicant's property as of March 31, 1999 is as follows: TOTAL UTILITY PLANT: \$53,009,241.00.

The Applicant further states that:

- (a) No amount or kinds of stock are authorized for the Corporation.
- (b) No amount or kinds of stock are issued or outstanding.
- (c) No preferred stock has been issued or is outstanding.
- (d) Exhibits #1 and #2 attached list the outstanding Notes secured by Mortgages which have been executed by Nolin Rural Electric Cooperative Corporation as Mortgagor and delivered to the United States of America, the Federal Financing Bank, and the National Rural Utilities Cooperative Finance Corporation as Mortgagees as of the date of this Application. The balance outstanding on these Notes as of December 31, 1998 is as shown in Exhibits #1 and #2 attached hereto.

- (e) No bonds are authorized or issued.
 - (f) Nolin Rural Electric Cooperative Corporation has no other indebtedness, except current liabilities which accrue in the ordinary course of business and which are unsecured.
 - (g) No dividends have been paid by the Corporation.
5. The use to be made of the proceeds from the line of credit applied for is as follows: This loan will be used to reimburse general funds for operating expenditures and construction costs until long term loan funds become available.
 6. At this time, it is not anticipated that any property is to be acquired, constructed, improved or extended with the proceeds from the line of credit.
 7. At this time, it is not proposed to discharge or refund any obligations with the proceeds from the line of credit.
 8. The Applicant's Income Statement for the 12 month period ending March 31, 1999 is attached as Exhibit #3 and its Balance Sheet as Exhibit #4.
 9. The approval of the Line of Credit loan from the National Rural Utilities Cooperative Finance Corporation is attached as Exhibit #5.
 10. The Resolution approving this Line of Credit by Nolin's Board of Directors is attached as Exhibit #6.
 11. Copies of all mortgages granted by Applicant and not previously filed with the Commission in Case No. 93-324 referred to above are attached hereto as Exhibits #7 and #8.


WHEREFORE, the Nolin Rural Electric Cooperative Corporation requests that the Public Service Commission of the Commonwealth of Kentucky issue an Order authorizing and granting unto Nolin Rural Electric Cooperative Corporation

approval for a \$13,000,000.00 line of credit from the National Rural Utilities Cooperative Finance Corporation and all other relief to which the Applicant may be entitled.

Dated at Elizabethtown, Kentucky this 10th day of June, 1999.

NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION

BY: _____


JOHN J. SCOTT
ATTORNEY FOR NOLIN RURAL
ELECTRIC COOPERATIVE
CORPORATION
WHITLOW & SCOTT
108 EAST POPLAR STREET
P.O. BOX 389
ELIZABETHTOWN, KY. 42702-0389
(270) 765-2179

I, **O.V. SPARKS**, Administration and Finance Manager of Nolin Rural Electric Cooperative Corporation, state that I have read and understand the foregoing Application and that the statements contained therein are true.

NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION

BY: _____


O.V. SPARKS, Administration
and Finance Manager

STATE OF KENTUCKY
COUNTY OF HARDIN

I, the undersigned, a Notary Public, do hereby certify that on this 10th day of June, 1999, personally appeared before me **O.V. SPARKS**, who being by me first duly sworn, subscribed to and acknowledged that he is the **Administration and Finance Manager** of **Nolin Rural Electric Cooperative Corporation**, a Kentucky corporation, that he signed the foregoing document as **Administration and Finance Manager** of the corporation, and that the statements therein contained are true.



NOTARY PUBLIC, State of Kentucky
At Large

My commission expires 9-11-01

LONG TERM DEBT - REA
Complete Schedule Showing Total Obligation to REA

Note No (a)	Interest Rate (b)	Date (c)	Original Balance (d)	Plus Interest Accrued (e)	Less		Balance Long Term Debt - REA (h)
					Principal Payments (f)	Funds Unadvanced (g)	
4111	2.000%	Mar-63	306,036		277,797		28,239
4120	2.000%	Nov-67	418,000		394,312		23,688
OB140	2.000%	Mar-72	270,500		183,640		86,860
OB142	2.000%	Mar-72	270,500		183,640		86,860
OB150	2.000%	Jan-73	186,000		121,322		64,678
OB152	2.000%	Jan-73	186,000		121,325		64,675
1B160	5.000%	Apr-74	158,000		78,728		79,272
1B162	5.000%	Apr-74	158,000		78,728		79,272
1B170	5.000%	Jan-75	157,000		73,967		83,033
1B172	5.000%	Jan-75	157,000		73,967		83,033
1B180	5.000%	Feb-76	438,000		190,899		247,101
1B182	5.000%	Feb-76	438,000		190,899		247,103
1B190	5.000%	Mar-77	438,000		172,568		265,432
1B192	5.000%	Mar-77	438,000		172,568		265,432
1B200	5.000%	Mar-78	1,073,000		388,627		684,373
1B202	5.000%	Mar-78	1,073,000		388,627		684,373
1B210	5.000%	Nov-80	1,024,500		298,385		726,115
1B212	5.000%	Nov-80	1,024,500		298,392		726,108
1B220	5.000%	Jun-83	576,000		128,378		447,622
1B222	5.000%	Jun-83	500		95		405
1B230	5.000%	Jun-83	576,500		108,821		467,679
1B235	5.000%	Sep-92	1,180,000		68,566		1,111,434
1B240	3.750%	Sep-92	1,180,000		68,566		1,111,434
1B245	3.620%	Jul-95	1,740,000		40,975		1,699,025
1B250	3.750%	Jul-95	1,740,000		35,388		1,704,612
1B255	3.750%	Jul-95	2,306,500		0		2,306,500
1B255	3.750%	Jul-95	286,000		0		286,000
NOTES PAID IN FULL							
TOTAL							
			5,029,420		3,766,456		
			22,828,956	0	7,905,634	0	13,660,358
Less: Advance Payments Unapplied (Note #4990)							
TOTAL OBLIGATION - REA							
\$13,660,358							

Exhibit # 1

LONG TERM DEBT - CFC & OTHER
Complete Schedule Showing Total Obligation to CFC & Other

Note No (a)	Interest Rate (b)	Date (c)	Original Balance (d)	Less		Balance Long Term Debt CFC & Other (g)
				Principal Payments (e)	Funds Unadvanced (f)	
9001	7.000%	May-72	135,000	68,999		66,001
9004	7.000%	Feb-73	159,000	76,116		82,884
9005	7.000%	Feb-74	135,000	59,386		75,614
9008	6.750%	Nov-75	135,000	49,203		85,797
9010	6.750%	Nov-76	375,000	120,059		254,941
9012	6.750%	Feb-77	375,000	110,540		264,460
9014	6.750%	Feb-78	920,000	240,787		679,213
9019	6.750%	Aug-80	924,000	196,502		727,498
9022	6.750%	May-83	520,000	75,063		444,937
9023	6.000%	Sep-92	1,031,633	94,616		937,017
9024	6.000%	Jun-95	1,492,000	34,942		1,457,058
9025	6.000%	May-98	1,977,000	12,178		1,964,822
7100	6.700%	Nov-97	500,000	500,000		0
F0010	7.157%	Dec-91	2,000,000	99,228		1,900,772
TOTAL			\$10,678,633	\$1,737,619	\$0	\$8,941,014
Less: Advance Payments Unapplied (Note #4990)						0
TOTAL OBLIGATION - CFC						\$8,941,014

Exhibit # 2

NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION

INCOME STATEMENT

TWELVE MONTHS ENDED MARCH 31, 1999

FORM 7 DESCRIPTION	Mar-99
KWH SALES	571,635,005
OPERATING REVENUE:	
KWH REVENUE	\$28,052,316
OTHER REVENUE	548,924
	<hr/>
TOTAL OPERATING REVENUE	\$28,601,240
OPERATING EXPENSES:	
COST OF POWER	18,973,168
DIST-OPERATION	1,328,312
DIST-MAINTENANCE	1,637,324
CONS ACCOUNTING	1,086,774
CUST SERV & INFO	501,812
ADMIN & GENERAL	1,227,762
	<hr/>
TOTAL OPERATING EXPENSES	<u>\$24,755,152</u>
FIXED EXPENSES:	
DEPRECIATION EXPENSE	\$2,247,858
TAX EXP-PROPERTY	0
TAX EXP-OTHER	0
INTEREST EXP-LTD	1,194,689
INTEREST EXP-OTHER	200,945
OTHER DEDUCTIONS	19,077
	<hr/>
TOTAL FIXED EXPENSES	<u>\$3,662,569</u>
TOTAL COST OF ELECTRIC SERVICE	<u>\$28,417,721</u>
MARGINS:	
OPERATING MARGINS	\$183,519
NON-OPERATING MARGINS	198,497
NON-OPER MARGINS OTHER	(22,155)
G & T CAPITAL CREDITS	126,811
OTHER CAPITAL CREDITS	113,204
	<hr/>
PATRONAGE CAPITAL - MARGINS	<u>\$599,876</u>

Exhibit # 3

USDA-RUS FINANCIAL AND STATISTICAL REPORT	BORROWER DESIGNATION KY051	PERIOD ENDED 1999 March	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.....	30. Memberships.....
50,793,294	374,665
2. Construction Work in Progress.....	31. Patronage Capital.....
2,215,947	19,138,617
3. Total Utility Plant (1+2).....	32. Operating Margins - Prior Years.....
53,009,241	0
4. Accum. Provision for Depreciation and Amort..	33. Operating Margins - Current Year.....
12,473,709	473,025
5. Net Utility Plant (3-4).....	34. Non-Operating Margins.....
40,535,532	261,181
6. Non-Utility Property (Net).....	35. Other Margins and Equities.....
2,289	956,174
7. Investments in Subsidiary Companies.....	36. Total Margins & Equities (30 thru 35)
(76,406)	21,203,662
8. Invest. In Assoc. Org. - Patronage Capital.....	37. Long-Term Debt - RUS (Net).....
5,244,778	15,585,412
9. Invest. In Assoc. Org. - Other - General Funds	(Payments-Unapplied \$ _____) 0)
0	
10. Invest. In Assoc. Org. - Oth. - Nongen. Funds..	38. Long-Term Debt - RUS - Econ. Devel. (Net).....
876,206	0
11. Investments in Economic Development Projects	39. Long-Term Debt - Other - REA Guaranteed.....
0	1,894,432
12. Other Investments.....	40. Long-Term Debt - Other (Net)
11,875	6,999,763
13. Special Funds.....	41. Total Long-Term Debt (37 thru 40).....
0	24,479,607
14. Total Other Property and Investments (6 thru 13)	42. Obligations Under Capital Leases - Noncurrent
6,058,742	0
15. Cash - General Funds.....	43. Accumulated Operating Provisions.....
1,346,868	0
16. Cash - Construction Funds - Trustee.....	44. Total Other Noncurrent Liabilities (42+43).....
0	0
17. Special Deposits.....	45. Notes Payable.....
0	1,500,000
18. Temporary Investments.....	46. Accounts Payable.....
5,000	2,870,038
19. Notes Receivable (Net)	47. Consumers Deposits.....
85,760	759,157
20. Accounts Receivable - Sales of Energy (Net)..	48. Other Current and Accrued Liabilities.....
3,698,297	3,201,119
21. Accounts Receivable - Other (Net).....	49. Total Current & Accrued Liabilities (45 thru 48)
1,801,954	8,330,314
22. Materials and Supplies - Electric and Other.....	50. Deferred Credits.....
351,499	115,727
23. Prepayments.....	51. Accumulated Deferred Income Taxes.....
223,340	0
24. Other Current and Accrued Assets.....	52. Total Liabilities and Other Credits
19,113	(36+41+44+49 thru 51).....
25. Total Current and Accrued Assets (15 thru 24)	54,129,310
7,531,831	
26. Regulatory Assets.....	ESTIMATED CONTRIBUTIONS IN AID OF CONSTRUCTION
0	
27. Other Deferred Debits.....	53. Balance Beginning of Year.....
3,205	389,599
28. Accumulated Deferred Income Taxes.....	54. Amounts Received This Year (Net).....
0	0
29. Total Assets and Other Debits (5+14+25 thru 28)	55. Total Contributions in Aid of Construction.....
54,129,310	389,599

PART D. NOTES TO FINANCIAL STATEMENTS

THIS SPACE IS PROVIDED FOR IMPORTANT DISCLOSURE NOTES TO THE FINANCIAL STATEMENT CONTAINED IN THIS REPORT. REPORT ITEMS CONTAINED IN THE INSTRUCTIONS AND ADDITIONAL MATERIAL ITEMS.

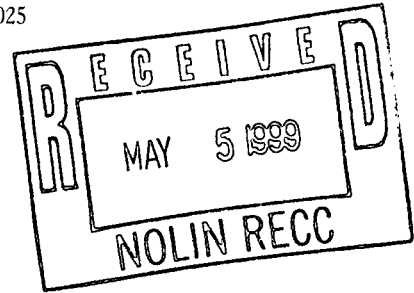
(A SEPERATE SHEET MAY BE USED IF ADDITIONAL SPACE IS NEEDED.)

Cash Received From Patronage Capital Refunds: 0



NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION
Powerful Financial Solutions

2201 Cooperative Way · Herndon, Virginia 20171-3025
<http://www.nrucfc.org>
703-709-6700



May 4, 1999

Mr. Michael L. Miller, President & CEO
Nolin Rural Electric Cooperative Corporation
411 Ring Road
Elizabethtown, Kentucky 42701

RE: KY 51-A-9026

Dear Mr. Miller:

We are pleased to inform you that National Rural Utilities Cooperative Finance Corporation (CFC) has approved a long-term loan to your system in the principal amount of \$13,000,000.00. The CFC loan documents are enclosed for execution.

CFC's loan commitment is dependent upon the execution of the CFC loan documents by your cooperative and their receipt and acceptance by CFC. CFC will notify you promptly upon its receipt of the documents regarding the status of your loan.

If you have any questions, please contact the person whose name is provided in the enclosed instructions before executing the documents.

We at CFC appreciate the opportunity to do business with you and look forward to serving your financial needs in the future.

Sincerely,


Cynthia Giudici
Associate Vice President

Enclosures

cc: John J. Scott, Esquire (with enclosures)
cc: Alex M. Cockey, Jr., RUS (with enclosures)

Exhibit #5

BOARD RESOLUTION

Certified Copy of Minutes Authorizing Request for Pre-Approved
CFC PowerVision™

WHEREAS, the Board, of Nolin Rural Electric Cooperative Corp. (herein called the "Nolin Rural Electric Cooperative Corp.", herein called the Cooperative"), has approved the Cooperative's request to apply for CFC pre-approved financing; and WHEREAS, the Board has been advised by its counsel that the Cooperative is legally constituted, is in compliance with all applicable statutory, regulatory and other legal requirements;

NOW THEREFORE BE IT RESOLVED, that ~~Nolin Rural Electric Cooperative Corp.~~, make application to National Rural Utilities Cooperative Finance Corporation (CFC), Herndon, Virginia, for a CFC PowerVision™ long-term loan in the amount of \$ 13,000,000.00 to provide financing for future financing needs.

Certificate of Secretary

I, A. L. Rosenberger, Secretary of Nolin Rural Electric Co-op Corp., do hereby certify that the above resolution is a true and correct copy of the resolution, as adopted by the Board of Nolin Rural Electric Cooperative Corp., at its meeting held on 02/23/99 and that said Resolution has not been modified and is in full force and effect as of the date hereof.

A. L. Rosenberger
Cooperative's Secretary

02/23/99
Date

(Corporate Seal)

CFC POWERVISION

Exhibit # 6

1.35167

SUPPLEMENT, dated as of July 13, 1995, to RESTATED MORTGAGE AND SECURITY AGREEMENT made by and among NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION (hereinafter called the "Mortgagor"), a corporation existing under the laws of the Commonwealth of Kentucky, UNITED STATES OF AMERICA (hereinafter called the "Government") acting through the Administrator of the Rural Utilities Service (hereinafter called "RUS"), successor to the Administrator of the Rural Electrification Administration and NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION (hereinafter called "CFC"), a corporation existing under the laws of the District of Columbia (the Government and CFC being hereinafter sometimes collectively called the "Mortgagees").

WHEREAS, pursuant to Public Law No. 103-354, the Rural Utilities Service (hereinafter sometimes called "RUS") is the successor to the Rural Electrification Administration (hereinafter sometimes called "REA") and the Administrator of the Rural Utilities Service is the successor to the Administrator of the Rural Electrification Administration and, for the purposes of the security instruments (hereinafter collectively called the Mortgage) made by the Mortgagor to the Mortgagees, and identified in the seventh recital hereof (hereinafter called the "Instruments Recital"), as amended, the terms "REA" and "Administrator" shall be deemed to mean respectively "RUS" and "Administrator of the RUS;" and

RUS Project Designation: KENTUCKY 51-AE61 HARDIN

THE DEBTOR AS MORTGAGOR IS A TRANSMITTING UTILITY.

THIS INSTRUMENT WAS PREPARED BY GEORGANN GUTTERIDGE, ATTORNEY, ELECTRIC AND TELEPHONE DIVISION, OFFICE OF THE GENERAL COUNSEL, U. S. DEPARTMENT OF AGRICULTURE, WASHINGTON, D. C. 20250-1400.

Georgann Gutteridge

Georgann Gutteridge

No. 1

Exhibit #7

with Sect

WHEREAS, the Mortgagor, for value received, has heretofore duly authorized and executed, and has delivered to the Government, or has assumed the payment of, certain mortgage notes all payable in installments to the order of, or obligating the Mortgagor otherwise to the Government, of which the certain mortgage notes (hereinafter collectively called the "Outstanding RUS Notes") identified in the Instruments Recital are now outstanding and held by the Government, all of which Outstanding RUS Notes evidence loans made by the Government either to the Mortgagor or to third parties to finance electric plants, lines and related facilities, and assumed by the Mortgagor, or loans made by one or more legally organized lending agencies and guaranteed by the Government; and

WHEREAS, the Mortgagor, for value received, has heretofore duly authorized and executed, and has delivered to CFC, or has assumed the payment of, a certain mortgage note, or certain mortgage notes, all payable to the order of CFC, in installments, of which the certain mortgage note or notes (hereinafter collectively called the "Outstanding CFC Note(s)") identified in the Instruments Recital are now outstanding and owned by CFC (the Outstanding RUS Notes and the Outstanding CFC Note(s) being hereinafter collectively called the "Outstanding Notes"); and

WHEREAS, the Outstanding Notes are secured by the Mortgage and are identified in the Instruments Recital; and

WHEREAS, the Mortgagor has determined to borrow additional funds from the Government, and has accordingly duly authorized, executed and delivered to the Government its mortgage note or notes (identified in the Instruments Recital and hereinafter collectively called the "Concurrent RUS Note(s)") to be secured by the Mortgage, as amended and supplemented hereby, of the property hereinafter described; and

WHEREAS, the Mortgagor has determined to borrow additional funds from CFC, and has accordingly duly authorized, executed and delivered to CFC its mortgage note or notes (identified in the Instruments Recital and hereinafter collectively called the "Concurrent CFC Note") to be secured by the Mortgage, as amended and supplemented hereby, of the property hereinafter described; and

WHEREAS, the instruments referred to in the preceding recitals are hereby identified as follows:

Supp. to Common RUS-CFC Elec. Mtg.
(No Debt Limit Increase)
(Outstanding RUS, CFC and FFB Notes)
(SRM-FFB.OUT)

BOOK 718 PAGE 663

11/94

INSTRUMENTS RECITAL

"Concurrent RUS Note": (Of even date herewith):

<u>Principal Amount</u>	<u>Interest Rate</u> (per annum)	<u>Final Payment Date</u>
\$3,480,000	Determined by Advance	Thirty-five (35) years from the date thereof

"Concurrent CFC Note": (Of even date herewith):

<u>Principal Amount</u>	<u>Interest Rate</u> (per annum)	<u>Final Payment Date</u>
\$1,492,000	variable	Thirty-five (35) years from the date thereof

"Outstanding RUS Notes":

Thirteen (13) certain mortgage notes in an aggregate principal amount of \$12,990,000, all of which will finally mature on or before September 10, 2027.

One (1) certain mortgage note in an aggregate principal amount of \$2,000,000, payable to the Federal Financing Bank,* which will finally mature on or before December 31, 2025.

"Outstanding CFC Note(s)":

Ten (10) certain mortgage notes in an aggregate principal amount of \$4,709,633, all of which will finally mature on or before September 10, 2027.

"Mortgage":

<u>Instrument</u>	<u>Date</u>
Restated Mortgage and Security Agreement	December 20, 1991

*For purposes of this Mortgage, the Government is the Noteholder.

Supp. to Common RUS-CFC Elec. Mtg.
(No Debt Limit Increase)
(Outstanding RUS, CFC and FFB Notes)
(SRM-FFB.OUT)

BOOK 718 PAGE 664

11/94

WHEREAS, the Government is the owner of the Outstanding RUS Notes; CFC is the owner of the Outstanding CFC Note(s); and the Mortgagees are the owners of the Mortgage; and

WHEREAS, it was the intention of the Mortgagor at the time of the execution of the Mortgage (or, if the Mortgage consists of more than one instrument, at the time of the execution of the earliest instrument thereof) that the property of the Mortgagor of the classes described therein, as being mortgaged or pledged thereby, or intended so to be, whether then owned or thereafter acquired, would secure certain notes of the Mortgagor executed and delivered prior to the execution and delivery of the Mortgage (or, if the Mortgage consists of more than one instrument, prior to the execution and delivery of the earliest instrument thereof), and certain notes of the Mortgagor when and as executed and delivered under and pursuant to the Mortgage, as from time to time amended or supplemented, and it is intended by the Mortgagor to confirm hereby the Mortgage and the property therein described as being mortgaged or pledged, or intended so to be, as security for the Outstanding Notes, and other notes of the Mortgagor when and as executed and delivered under and pursuant to the Mortgage, as amended and supplemented hereby; and

WHEREAS, the Mortgage provides that the Mortgagor shall, upon the written demand of the Government or CFC duly authorize, execute, and deliver and record and file all such supplemental mortgages and conveyances as may reasonably be requested by the Government or CFC to effectuate the intention of the Mortgage and to provide for the conveying, mortgaging and pledging of the property of the Mortgagor intended to be conveyed, mortgaged or pledged by the Mortgage to secure the payment of the principal of and interest on notes executed and delivered thereunder and pursuant thereto, or otherwise secured thereby, the Government and CFC have in writing requested the execution and delivery of this Supplement (hereinafter called "this Supplemental Mortgage") to the Mortgage pursuant to such provision; and

WHEREAS, it is further intended by the Mortgagor, at the request and with the consent of the Mortgagees, to amend the Mortgage in the respects hereinafter set forth; and

WHEREAS, all acts, things, and conditions prescribed by law and by the articles of incorporation and bylaws of the Mortgagor have been duly performed and complied with to authorize the execution and delivery hereof and to make the Mortgage, as amended and supplemented hereby, a valid and binding mortgage to secure the Outstanding Notes and other notes of the Mortgagor when and as executed and delivered under and pursuant to the Mortgage, as amended and supplemented hereby; and

WHEREAS, the Government and CFC are authorized to enter into this Supplemental Mortgage; and

WHEREAS, to the extent that any of the property described or referred to herein or in the Mortgage is governed by the provisions of the Uniform Commercial Code of any state (hereinafter called the "Uniform Commercial Code"), the parties hereto desire that this Supplemental Mortgage and the Mortgage collectively be regarded as a "security agreement" under the Uniform Commercial Code and that this Supplemental Mortgage be regarded as a "financing statement" under the Uniform Commercial Code for said security agreement.

NOW, THEREFORE, in consideration of the premises and the sum of \$5 in hand paid by the Mortgagees to the Mortgagor, the receipt whereof by the Mortgagor prior to the execution and delivery of this Supplemental Mortgage is hereby acknowledged, this Supplemental Mortgage witnesseth as follows:

1. The Mortgagor has executed and delivered this Supplemental Mortgage and has granted, bargained, sold, conveyed, warranted, assigned, transferred, mortgaged, pledged and set over, and by these presents does hereby grant, bargain, sell, convey, warrant, assign, transfer, mortgage, pledge and set over, unto the Mortgagees and their respective assigns, all and singular the real and personal property described in the Mortgage as being mortgaged thereby and all and singular the real and personal property of the Mortgagor falling within the classes of property embraced in the description of the "Mortgaged Property" set forth in the Mortgage, including, without limitation, all and singular the real and personal property of said description heretofore or hereafter acquired by or constructed by or on behalf of the Mortgagor, and wheresoever situate, including, without limitation, the "Existing Electric Facilities" identified and the real estate specifically described (by reference to deeds or otherwise) in the Mortgage and mortgaged thereby (except such portions, if any, thereof as have been released prior to the execution and delivery of this Supplemental Mortgage), and, including, without limitation, the following described property, located in the Counties of Breckenridge, Bullitt, Grayson, Green, Hardin, Hart, Larue, Meade and Taylor, in the Commonwealth of Kentucky:

TO WIT:

1. A certain tract of land was deeded on March 10, 1948 to Nolin Rural Electric Cooperative Corporation by Stokley Bowling and Jessie Bowling, his wife, and was recorded on April 16, 1948 in the office of the Clerk of the County Court of Hardin in the state of Kentucky in Deed Book number 124, on page 520.
2. A certain tract of land was deeded on March 10, 1948 to Nolin Rural Electric Cooperative Corporation by P. B. Milburn and Godsy Milburn, his wife, and was recorded on April 16, 1948 in the office of the clerk of the County Court of Hardin in the state of Kentucky in Deed Book number 124, on page 517.
3. A certain tract of land was deeded on March 10, 1948 to Nolin Rural Electric Cooperative Corporation by P. B. Milburn, Godsy Milburn, his wife, Stokley Bowling and Jessie Bowling, his wife, and was recorded on April 16, 1948, in the office of the Clerk of the County Court of Hardin in the state of Kentucky in Deed Book number 124, on page 518.
4. A certain tract of land was deeded on December 18, 1954 to Nolin Rural Electric Cooperative Corporation by Ree Miller and Ben Miller, her husband, and was recorded on December 20, 1954 in the office of the Clerk of the County Court of Hardin in the state of Kentucky in Deed Book number 145, on page 230.
5. A certain tract of land was deeded on February 26, 1970 to Nolin Rural Electric Cooperative Corporation by Wayne G. Overall, Jr., and Nancy J. Overall, his wife and was recorded on March 4, 1970 in the office of the Clerk of the County Court of Hardin in the state of Kentucky in Deed Book number 224, on pages 1 and 2.

6. A certain tract of land was deeded on September 26, 1979 to Nolin Rural Electric Cooperative Corporation by Howard Pierce and Lorene Pierce, his wife, and was recorded on October 1, 1979, in the office of the Clerk of the County Court of Hardin in the state of Kentucky in Deed Book 382 on pages 152 and 153.
7. A certain tract of land was deeded on January 11, 1993 to Nolin Rural Electric Cooperative Corporation by Teri Foster Adams and Theresa Marie Adams, his wife, and was recorded on January 11, 1993, in the office of the Clerk of the County Court of Hardin in the state of Kentucky in Deed Book 751 on pages 709-712.
8. A certain tract of land was deeded on April 8, 1993 to Nolin Rural Electric Cooperative Corporation by Elizabethtown Industrial Foundation, Inc., a Kentucky-Non-Profit Corporation, and was recorded on April 8, 1993, in the office of the Clerk of the County Court of Hardin in the state of Kentucky in Deed Book 757 on pages 521-523.

TOGETHER WITH all plants, works, structures, erections, reservoirs, dams, buildings, fixtures and improvements now or hereafter located on any of the properties conveyed by any and all of the aforesaid deeds mentioned above and all tenements, hereditaments and appurtenances now or hereafter thereunto belonging or in anywise appertaining.

The description of each of the properties conveyed by and through the provisions of the aforesaid deeds is by reference made a part hereof as though fully set forth at length herein.

AND ALSO including, without limitation:

I

All right, title and interest of the Mortgagor in and to all extensions and improvements of the "Existing Electric Facilities", as provided above, and additions thereto, including all substations, service and connecting lines (both overhead and underground), poles, towers, posts, crossarms, wires, cables, conduits, mains, pipes, tubes, transformers, insulators, meters, electrical connections, lamps, fuses, junction boxes, fixtures, appliances, generators, dynamos, water turbines, water wheels, boilers, steam turbines, motors, switch boards, switch racks, pipe lines, machinery, tools, supplies, switching and other equipment, and any and all other property of every nature and description, used or acquired for use by the Mortgagor in connection therewith;

II

All right, title and interest of the Mortgagor in, to and under any and all grants, privileges, rights of way and easements now owned, held, leased, enjoyed or exercised, or which may hereafter be owned, held, leased, acquired, enjoyed or exercised, by the Mortgagor for the purposes of, or in connection with, the construction or operation by or on behalf of the Mortgagor of electric transmission or distribution lines, or systems, whether underground or overhead or otherwise, or of any electric generating plant, wherever located;

III

All right, title and interest of the Mortgagor in, to and under any and all licenses, franchises, ordinances, privileges and permits heretofore granted, issued or executed, or which may hereafter be granted, issued or executed, to it or to its assignors by the United States of America, or by any state, or by any county, township, municipality, village or other political subdivision thereof, or by any agency, board, commission or department of any of the foregoing, authorizing the construction, acquisition, or operation of electric transmission or distribution lines, or systems, or any electric generating plant or plants, insofar as the same may by law be assigned, granted, bargained, sold, conveyed, transferred, mortgaged, or pledged;

IV

All right, title and interest of the Mortgagor in, to and under any and all contracts heretofore or hereafter executed by and between the Mortgagor and any person, firm, or corporation

providing for the purchase, sale or exchange of electric power or energy by the Mortgagor together with any and all other accounts, contract rights and general intangibles (as such terms are defined in the applicable Uniform Commercial Code) heretofore or hereafter acquired by the Mortgagor;

V

Also, all right, title and interest of the Mortgagor in and to all other property, real or personal, tangible or intangible, of every kind, nature and description, and wheresoever situated, now owned or hereafter acquired by the Mortgagor, it being the intention hereof that all such property now owned but not specifically described herein or acquired or held by the Mortgagor after the date hereof shall be as fully embraced within and subjected to the lien hereof as if the same were now owned by the Mortgagor and were specifically described herein to the extent only, however, that the subjection of such property to the lien hereof shall not be contrary to law;

Together with all rents, income, revenues, profits and benefits at any time derived, received or had from any and all of the above-described property of the Mortgagor.

Provided, however, that except as provided in section 13(b) of article II of the Mortgage, no automobiles, trucks, trailers, tractors or other vehicles (including without limitation aircraft or ships, if any) owned or used by the Mortgagor shall be included in the property mortgaged by the Mortgage and this Supplemental Mortgage.

TO HAVE AND TO HOLD the same forever, for the uses and purposes and upon the terms, conditions, provisos and agreements expressed and declared in the Mortgage, as amended and supplemented hereby.

2. The Outstanding Notes are hereby confirmed as notes of the Mortgagor entitled to the security of the Mortgage, as amended and supplemented by this Supplemental Mortgage, and of the property by the Mortgage and this Supplemental Mortgage mortgaged and pledged, or intended so to be, equally and ratably with one another and with other notes of the Mortgagor when and as executed and delivered under and pursuant to the Mortgage, as amended and supplemented hereby, without preference, priority or distinction as to interest or principal (except as otherwise specifically provided in the Mortgage, as amended and supplemented hereby) or as to lien or otherwise, of any one of the Outstanding Notes or such other notes over any other thereof and irrespective of the date of the

execution, delivery or maturity thereof, or of the assignment or negotiation thereof or otherwise.

3. Additional notes executed and delivered pursuant to section 1 of article I of the Mortgage, as amended hereby, are hereby included within the terms "Additional Notes" and "notes", as defined in the Mortgage, as amended hereby. The Concurrent RUS Note(s), Concurrent CFC Note, and refunding, renewal and substituted notes executed and delivered pursuant to said section 1 of article I, are hereby included within the term "notes", as defined in the Mortgage, as amended hereby. There are hereby included within the term "CFC Loan Agreement", as defined in the Mortgage, as amended hereby, all agreements, together with any amendments or supplements thereto, between the Mortgagor and CFC pursuant to which the Mortgagor has executed and delivered or will execute and deliver to CFC "CFC Notes", as defined in the Mortgage, as amended hereby.

4. Any reference herein to the Administrator shall be deemed to mean the Administrator of the Rural Utilities Service or his duly authorized representative or any other person or authority in whom may be vested the duties and functions which the Administrator is now or may hereafter be authorized by law to perform.

5. All demands, notices, reports, approvals, designations, or directions required or permitted to be given under the Mortgage, as amended hereby, shall be in writing and shall be deemed to be properly given if mailed by registered mail addressed to the proper party or parties at the following addresses:

As to the Mortgagor: as stated in the testimonium clause hereof.

As to the Mortgagees: CFC:
National Rural Utilities Cooperative
Finance Corporation
Woodland Park
2201 Cooperative Way
Herndon, Virginia 22071-3025

The Government:
Rural Utilities Service
Washington, D.C. 20250-1500

and as to any other person, firm, corporation or governmental body or agency having an interest herein by reason of being the holder of any note or otherwise, at the last address designated by such person, firm, corporation, governmental body or agency to the

Mortgagor and the Mortgagees. The Mortgagor or the Mortgagees may from time to time designate to each other a new address to which demands, notices, reports, approvals, designations or directions may be addressed and from and after any such designation the address designated shall be deemed to be the address of such party in lieu of the address hereinabove given.

6. To the extent that any of the property described or referred to herein and in the Mortgage is governed by the provisions of the Uniform Commercial Code, the Mortgage and this Supplemental Mortgage, collectively, are hereby deemed a "security agreement" under the Uniform Commercial Code, and this Supplemental Mortgage is also hereby declared to be a "financing statement", under the Uniform Commercial Code for said security agreement. The mailing address of the Mortgagor as debtor, and of the Mortgagees as secured parties, are as set forth in the Mortgage and in section 5 of this Supplemental Mortgage.

7. All of the terms, provisions and covenants of the Mortgage, except as expressly modified hereby, shall be and remain in full force and effect.

8. The invalidity of any one or more phrases, clauses, sentences, paragraphs or provisions of this Supplemental Mortgage shall not affect the validity of the remaining portions hereof.

9. This Supplemental Mortgage may be simultaneously executed in any number of counterparts, and all of said counterparts executed and delivered, each as an original, shall constitute but one and the same instrument.

Supp. to Common RUS-CFC Elec. Mtg.
(No Debt Limit Increase)
(Outstanding RUS, CFC and FFB Notes)
(SRM-FFB.OUT)

BOOK 718 PAGE 672

11/94

IN WITNESS WHEREOF, NOLIN 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, NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION, as Mortgagee, 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, and UNITED STATES OF AMERICA, as Mortgagee, has caused this Supplemental Mortgage to be duly executed in its behalf, all as of the day and year first above written.

NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION

by *Robert C Wade*
President

(Seal)

Attest *A. L. Rosenberger*
Secretary

Executed by the Mortgagor in
the presence of:

[Signature]

[Signature]

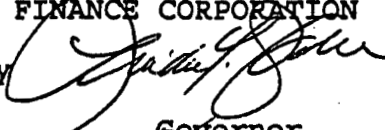
Witnesses

Supp. to Common RUS-CFC Elec. Mtg.
(No Debt Limit Increase)
(Outstanding RUS, CFC and FFB Notes)
(SRM-FFB.OUT)

BOOK 718 PAGE 673

11/94

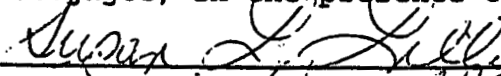
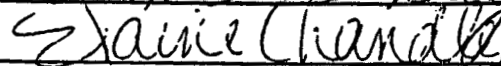
NATIONAL RURAL UTILITIES COOPERATIVE
FINANCE CORPORATION

by 
Governor
780

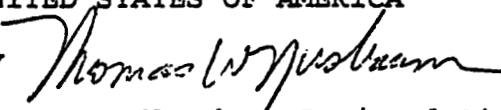
(Seal)

Attest 
Assistant Secretary - Treasurer

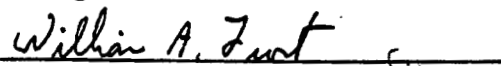
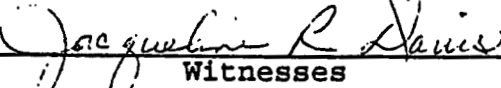
Executed by National Rural Utilities
Cooperative Finance Corporation,
Mortgagee, in the presence of:



Witnesses

UNITED STATES OF AMERICA

by 
Director, Northern Regional Division
of the
Rural Utilities Service

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



Witnesses

COMMONWEALTH OF KENTUCKY)
COUNTY OF *State-At-Large*) SS

I, *Janice M. Sprowles*, a Notary Public in and for the County and Commonwealth aforesaid, do hereby certify that *Robert C. Wade*, personally known to me to be the President of Nolin Rural Electric Cooperative Corporation, a corporation of the Commonwealth of Kentucky, and to me known to be the identical person whose name is as President of said corporation, subscribed to the foregoing instrument, appeared before me this day in person and produced the foregoing instrument to me in the County aforesaid and acknowledged that as such President he signed the foregoing instrument pursuant to authority given by the board of directors of said corporation as his free and voluntary act and deed and as the free and voluntary act and deed of said corporation for the uses and purposes therein set forth and that the seal affixed to the foregoing instrument is the corporate seal of said corporation.

Given under my hand this *13th* day of *July*, 19*95*.

Janice M. Sprowles

Notary Public
in and for *State-at-Large* County, Kentucky

(Notarial Seal)

My commission expires: *7-10-96*

COMMONWEALTH OF VIRGINIA)
COUNTY OF FAIRFAX) SS

The foregoing instrument was acknowledged before me this *2nd* day of *March*, 19*95*, by *Linda Graham* for *Executive* of the National Rural Utilities Cooperative Finance Corporation, a District of Columbia corporation, on behalf of said corporation.

Julie M. Miller

Notary Public

(Notarial Seal)

My commission expires: *11/30/97*

DISTRICT OF COLUMBIA) SS

BEFORE ME, a Notary Public, in and for the District of Columbia, appeared in person the within named **THOMAS W. NUSBAUM** Director of the Northern Regional Division of the Rural Utilities Service, United States of America, to me personally known, and known to be the identical person who subscribed the foregoing instrument in said capacity, and who, after being by me duly sworn, stated that he is duly authorized to execute the foregoing instrument for and in the name and behalf of the United States of America, and further stated and acknowledged that he had executed the foregoing instrument as the free and voluntary act and deed of the United States of America, for the consideration, uses and purposes therein mentioned and set forth.

IN TESTIMONY WHEREOF, I have hereunto set my hand and official seal this 17th day of February, 1995.

Sally R. Kiedwell
Notary Public

(Notarial Seal)

My commission expires:

STATE OF KENTUCKY SCT.
COUNTY OF HARDIN
I, DAVID L. LOGSDON, CLERK OF SAID
COUNTY COURT, HEREBY CERTIFY
THAT THE FOREGOING INSTRUMENT
HAS BEEN DULY RECORDED IN
BOOK 718 PAGE 675 IN MY
SAID OFFICE.
DAVID L. LOGSDON, CLERK
BY Sally R. Kiedwell

EXAMINED BY:

John J. Scott
JOHN J. SCOTT
WHITLOW & SCOTT
108 EAST POPLAR STREET, P.O. BOX 389
ELIZABETHTOWN, KY. 42702-0389
(502) 765-2179

CLERK

JUL 13 4 00 PM '95

REC'D BY 3100-33,00
DEED TAX
LODGERS

RUS PROJECT DESIGNATION:

Kentucky 51-AF61 Hardin

RESTATED MORTGAGE & SECURITY AGREEMENT

made by and among

NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION
612 East Dixie Avenue
Elizabethtown, Kentucky 42701-1094.

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

John Scott (Box)

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, AFTER-ACQUIRED PROPERTY,
PROCEEDS, FUTURE ADVANCES AND FUTURE OBLIGATIONS.
NOTICE - THIS MORTGAGE SECURES CREDIT IN THE AMOUNT OF UP TO \$50,000,000.00.
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 GEORGANN GUTTERIDGE, AS ATTORNEY FOR UNITED STATES DEPARTMENT OF
AGRICULTURE, RURAL UTILITIES SERVICE, WASHINGTON, D.C. 20250-1500.

J. Gutteridge

Exhibit # 8.

RESTATED MORTGAGE AND SECURITY AGREEMENT, dated as of May 1, 1997. (hereinafter sometimes called this "Mortgage") is made by and among NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION (hereinafter called the "Mortgagor"), a corporation existing under the laws of the State 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, as well as any and all other lenders pursuant to Article II of this Mortgage that enter into a supplemental mortgage in accordance with Section 2.04 of Article II hereof (the Government and CFC and any such other lenders being herein 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 dated as of December 20, 1991, as supplemented, amended or restated (the "Original Mortgage" identified in Schedule "A" of this Mortgage) originally entered into among the Mortgagor, the Government acting by and through the Administrator of the Rural Electrification Administration, the predecessor of RUS, and CFC;

WHEREAS, the Mortgagor deems it necessary to borrow money for its corporate purposes and to issue its promissory notes and other debt obligations therefor from time to time in one or more series, and to mortgage and pledge its property hereinafter described or mentioned to secure the payment of the same;

WHEREAS, the Mortgagor desires to enter into this Mortgage pursuant to which all secured debt of the Mortgagor hereunder shall be secured on parity;

WHEREAS, this Mortgage restates and consolidates the Original Mortgage while preserving the priority of the Lien under the Original Mortgage securing the payment of Mortgagor's outstanding obligations secured under the Original Mortgage, which indebtedness is described more particularly by listing the Original Notes in Schedule "A" hereto; and

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

NOW, THEREFORE, THIS MORTGAGE WITNESSETH: That to secure the payment of the principal of (and premium, if any) and interest on the Original 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 and lien 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, now 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:

GRANTING CLAUSE FIRST

- 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;
- B. all of the Mortgagor'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 (as herein defined) located in the Counties listed in Schedule "B" hereto;
- C. all right, title and interest of the Mortgagor in and to those contracts of the Mortgagor
- (i) relating to the ownership, operation or maintenance of any generation, transmission or distribution facility owned, whether solely or jointly, by the Mortgagor,
 - (ii) for the purchase of electric power and energy by the Mortgagor and having an original term in excess of 3 years,
 - (iii) for the sale of electric power and energy by the Mortgagor 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 Mortgagor 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 Schedule "B" are hereby made a part of, and deemed to be described in, this Granting Clause as fully as if set forth in this Granting 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 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 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 Mortgagor 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:

GRANTING CLAUSE SECOND

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 may be hereafter acquired by the Mortgagor, but excluding Excepted Property, now owned or which may be hereafter acquired by the Mortgagor, it being the intention hereof that all property, rights, privileges, allowances and franchisees now owned by the Mortgagor or acquired by the Mortgagor 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.

GRANTING CLAUSE THIRD

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 Mortgagor or by anyone in its behalf, and any Mortgagee is hereby authorized to receive the same at any time as additional security hereunder for the benefit of all the Mortgagees. 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 Mortgagor or the person so acting in its behalf or by such Mortgagee respecting the use and disposition of such property or the proceeds thereof.

GRANTING CLAUSE FOURTH

Together with (subject to the rights of the Mortgagor set forth on Section 5.01) 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 property subjected or required to be subjected to the lien of this Mortgage, and all other property of any nature appertaining to any of the plants, systems, business or operations of the Mortgagor, 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 Mortgagor, and all the estate, right, title and interest of every nature whatsoever, at law as well as in equity, of the Mortgagor in and to the same and every part thereof (other than Excepted Property with respect to any of the foregoing).

EXCEPTED PROPERTY

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

- A. all shares of stock, securities or other interests of the Mortgagor in the National Rural Utilities Cooperative Finance Corporation, CoBank, ACB, its predecessors in interest and the St. Paul Bank for Cooperatives other than any stock, securities or other interests that are specifically described in Subclause D of Granting 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, 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 Mortgagor under leases for an original term (including any period for which the Mortgagor 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 Mortgagor and whether falling within a general or specific description of property herein: PROVIDED, HOWEVER, that the Mortgagor covenants and agrees that it will hold each such last day in trust for the use and benefit of all of the Mortgagees and Noteholders and that it will dispose of each such last day from time to time in accordance with such written order as the Mortgagee 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 this Mortgage, whether now owned or hereafter acquired by the Mortgagor, which by their terms or by reason of applicable law would become void or voidable if mortgaged or pledged hereunder by the Mortgagor, or which cannot be granted, conveyed, mortgaged, transferred or assigned by this Mortgage without the consent of other parties whose consent has been withheld, or without subjecting any Mortgagee to a liability not otherwise contemplated by the provisions of this Mortgage, or which otherwise may not be, hereby lawfully and effectively granted, conveyed, mortgaged, transferred and assigned by the Mortgagor; and
- J. the property identified in Schedule "C" hereto.

PROVIDED, HOWEVER, that (i) if, upon the occurrence of an Event of Default, any Mortgagee, or any receiver appointed pursuant to statutory provision or order of court, shall have entered into possession of all or substantially all of the Mortgaged Property, all the Excepted Property described or referred to in the foregoing Subdivisions A through H, inclusive, then owned or thereafter acquired by the Mortgagor shall immediately, and, in the case of any Excepted Property described or referred to in Subdivisions I through J, inclusive, upon demand of any Mortgagee or such receiver, become subject to the lien hereof to the extent permitted by law, and any Mortgagee 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 Mortgaged Property shall have been restored to the Mortgagor, such Excepted Property shall again be excepted and excluded from the lien hereof to the extent and otherwise as hereinabove set forth.

However, pursuant to Granting Clause Third, the Mortgagor may subject to the lien of this Mortgage any Excepted Property, whereupon the same shall cease to be Excepted Property.

HABENDUM

TO HAVE AND TO HOLD all said property, rights, privileges and franchises of every kind and description, real, personal or mixed, hereby and hereafter (by supplemental mortgage or otherwise) granted, bargained, sold, aliened, remised, released, conveyed, assigned, transferred, mortgaged, encumbered, hypothecated, pledged, set over, confirmed, or subjected to a continuing security interest and lien as aforesaid, together with all the

appurtenances thereto appertaining (said properties, rights, privileges and franchises, including any cash and securities hereafter deposited with any Mortgagee ((other than any such cash, if any, which is specifically stated herein not to be deemed part of the Mortgaged Property)), being herein collectively called the "Mortgaged Property") unto the Mortgagees and the respective assigns of the Mortgagees forever, to secure equally and ratably the payment of the principal of (and premium, if any) and interest on the Notes, according to their terms, without preference, priority or distinction as to interest or principal (except as otherwise specifically provided herein) or as to lien or otherwise of any Note over any other Note by reason of the priority in time of the execution, delivery or maturity thereof or of the assignment or negotiation thereof, or otherwise, and to secure the due performance of all of the covenants, agreements and provisions herein and in the Loan Agreements contained, and for the uses and purposes and upon the terms, conditions, provisos and agreements hereinafter expressed and declared.

SUBJECT, HOWEVER, to Permitted Encumbrances (as defined in Section 1.01).

ARTICLE I

DEFINITIONS & OTHER PROVISIONS OF GENERAL APPLICATION

Section 1.01. Definitions.

In addition to the terms defined elsewhere in this Mortgage, the terms defined in this Article I shall have the meanings specified herein and under the UCC, unless the context clearly requires otherwise. The terms defined herein include the plural as well as the singular and the singular as well as the plural.

Accounting Requirements shall mean the requirements of any system of accounts prescribed by RUS so long as the Government is the holder, insurer or guarantor of any Notes, or, in the absence thereof, the requirements of generally accepted accounting principles applicable to businesses similar to that of the Mortgagor.

Additional Notes shall mean any Government Notes issued by the Mortgagor to the Government and any Notes issued by the Mortgagor to any other lender, in either case pursuant to Article II of this Mortgage, including any refunding, renewal, or substitute Notes or Government Notes which may from time to time be executed and delivered by the Mortgagor pursuant to the terms of Article II.

Board shall mean either the Board of Directors or the Board of Trustees, as the case may be, of the Mortgagor.

Business Day shall mean any day that the Government is open for business.

Debt Service Coverage Ratio ("DSCR") shall mean the ratio determined as follows: for each calendar year add

- (i) Patronage Capital or Margins of the Mortgagor,
- (ii) Interest Expense on Total Long Term Debt of the Mortgagor (as computed in accordance with the principles set forth in the definition of TIER) and
- (iii) Depreciation and Amortization Expense of the Mortgagor, and divide the total so obtained by an amount equal to the sum of all payments of principal and interest required to be made on account of Total Long-Term Debt during such calendar year

increasing said sum by any addition to interest expense on account of Restricted Rentals as computed with respect to the Times Interest Earned Ratio herein.

Depreciation and Amortization Expense shall mean an amount constituting the depreciation and amortization of the Mortgagor as computed pursuant to Accounting Requirements.

Electric System shall mean, and shall be broadly construed to encompass and include, all of the Mortgagor's interests in all electric production, transmission, distribution, conservation, load management, general plant and other related facilities, equipment or property and in any mine, well, pipeline, plant, structure or other facility for the development, production, manufacture, storage, fabrication or processing of fossil, nuclear or other fuel of any kind or in any facility or rights with respect to the supply of water, in each case for use, in whole or in major part, in any of the Mortgagor's generating plants, now existing or hereafter acquired by lease, contract, purchase or otherwise or constructed by the Mortgagor, including any interest or participation of the Mortgagor in any such facilities or any rights to the output or capacity thereof, together with all additions, betterments, extensions and improvements to such Electric System or any part thereof hereafter made and together with all lands, easements and rights-of-way of the Mortgagor and all other works, property or structures of the Mortgagor and contract rights and other tangible and intangible assets of the Mortgagor used or useful in connection with or related to such Electric System, including without limitation a contract right or other contractual arrangement referred to in Granting Clause First, Subclause C, but excluding any Excepted Property.

Environmental Law and Environmental Laws shall mean all federal, state, and local laws, regulations, and requirements related to protection of human health or the environment, including but not limited to the Comprehensive Environmental Response, Compensation and Liability Act of 1980 (42 U.S.C. 9601 et seq.), the Resource Conservation and Recovery Act (42 U.S.C. 6901 et seq.), the Clean Water Act (33 U.S.C. 1251 et seq.) and the Clean Air Act (42 U.S.C. 7401 et seq.), and any amendments and implementing regulations of such acts.

Equity shall mean the total margins and equities computed pursuant to Accounting Requirements, but excluding any Regulatory Created Assets.

Event of Default shall have the meaning specified in Section 4.01 hereof.

Excepted Property shall have the meaning stated in the Granting Clauses.

Government shall mean the United States of America acting by and through the Administrator of RUS or REA and shall include its successors and assigns.

Government Notes shall mean the Original Notes, and any Additional Notes, issued by the Mortgagor to the Government, or guaranteed or insured as to payment by the Government.

Independent shall mean when used with respect to any specified person or entity means such a person or entity who (1) is in fact independent, (2) does not have any direct financial interest or any material indirect financial interest in the Mortgagor or in any affiliate of the Mortgagor and (3) is not connected with the Mortgagor as an officer, employee, promoter, underwriter, trustee, partner, director or person performing similar functions.

Interest Expense shall mean an amount constituting the interest expense of the Mortgagor as computed pursuant to Accounting Requirements.

Lien shall mean any statutory or common law or non-consensual mortgage, pledge, security interest, encumbrance, lien, right of set off, claim or charge of any kind, including, without limitation, any conditional sale or other title retention transaction, any lease transaction in the nature thereof and any secured transaction under the UCC.

Loan Agreement shall mean any agreement executed by and between the Mortgagor and the Government or any other lender in connection with the execution and delivery of any Notes secured hereby.

Long-Term Debt shall mean any amount included in Total Long-Term Debt pursuant to Accounting Requirements.

Long-Term Lease shall mean a lease having an unexpired term (taking into account terms of renewal at the option of the lessor, whether or not such lease has previously been renewed) of more than 12 months.

Margins shall mean the sum of amounts recorded as operating margins and non-operating margins as computed in accordance with Accounting Requirements.

Maximum Debt Limit, if any, shall mean the amount more particularly described in Schedule "A" hereof.

Mortgage shall mean this Restated Mortgage and Security Agreement, including any amendments or supplements thereto from time to time.

Mortgaged Property shall have the meaning specified as stated in the Habendum to the Granting Clauses.

Mortgagee or Mortgagees shall mean the parties identified in the first paragraph of this instrument as the Mortgagees, as well as any and all other entities that become a Mortgagee pursuant to Article II of this Mortgage by entering into a supplemental mortgage in accordance with Section 2.04 of Article II hereof. The term also includes in all cases the successors and assigns of any Mortgagee.

Net Utility Plant shall mean the amount constituting the total utility plant of the Mortgagor less depreciation computed in accordance with Accounting Requirements.

Note or Notes shall mean one or more of the Government Notes, and any other Notes which may, from time to time, be secured under this Mortgage.

Noteholder or Noteholders shall mean one or more of the holders of Notes secured by this Mortgage; PROVIDED, however, that in the case of any Notes that have been guaranteed or insured as to payment by the Government, as to such Notes Noteholder or Noteholders shall mean the Government, exclusively, regardless of whether such notes are in the possession of the Government.

Original Mortgage means the instrument(s) identified as such in Schedule "A" hereof.

Original Notes shall mean the Notes listed on Schedule "A" hereto as such, such Notes being instruments evidencing outstanding indebtedness of the Mortgagor (i) to the Government (including indebtedness which has been issued by the Mortgagor to a third party and guaranteed

or insured as to payment by the Government) and (ii) to each other Mortgagee on the date of this Mortgage.

Outstanding Notes shall mean as of the date of determination, (i) all Notes theretofore issued, executed and delivered to any Mortgagee and (ii) any Notes guaranteed or insured as to payment by the Government, except (a) Notes referred to in clause (i) or (ii) for which the principal and interest have been fully paid and which have been canceled by the Noteholder, and (b) Notes the payment for which has been provided for pursuant to Section 5.03.

Permitted Debt shall have the meaning specified in Section 3.08.

Permitted Encumbrances shall mean:

- (1) as to the property specifically described in Granting Clause First, the restrictions, exceptions, reservations, conditions, limitations, interests and other matters which are set forth or referred to in such descriptions and each of which fits one or more of the clauses of this definition, PROVIDED, such matters do not in the aggregate materially detract from the value of the Mortgaged Property taken as a whole and do not materially impair the use of such property for the purposes for which it is held by the Mortgagor;
- (2) liens for taxes, assessments and other governmental charges which are not delinquent;
- (3) liens for taxes, assessments and other governmental charges already delinquent which are currently being contested in good faith by appropriate proceedings; PROVIDED the Mortgagor shall have set aside on its books adequate reserves with respect thereto;
- (4) mechanics', workmen's, repairmen's, materialmen's, warehousemen's and carriers' liens and other similar liens arising in the ordinary course of business for charges which are not delinquent, or which are being contested in good faith and have not proceeded to judgment; PROVIDED the Mortgagor shall have set aside on its books adequate reserves with respect thereto;
- (5) liens in respect of judgments or awards with respect to which the Mortgagor shall in good faith currently be prosecuting an appeal or proceedings for review and with respect to which the Mortgagor shall have secured a stay of execution pending such appeal or proceedings for review; PROVIDED the Mortgagor shall have set aside on its books adequate reserves with respect thereto;
- (6) easements and similar rights granted by the Mortgagor over or in respect of any Mortgaged Property, PROVIDED that in the opinion of the Board or a duly authorized officer of the Mortgagor such grant will not impair the usefulness of such property in the conduct of the Mortgagor's business and will not be prejudicial to the interests of the Mortgagees, and similar rights granted by any predecessor in title of the Mortgagor;
- (7) easements, leases, reservations or other rights of others in any property of the Mortgagor for streets, roads, bridges, pipes, pipe lines, railroads, electric transmission and distribution lines, telegraph and telephone lines, the removal of oil, gas, coal or other minerals and other similar purposes, flood rights, river control and development rights, sewage and drainage rights, restrictions against pollution and zoning laws and minor defects and irregularities in the record evidence of title, PROVIDED that such easements, leases, reservations, rights, restrictions, laws, defects and irregularities do not materially affect the marketability of title to such property and do not in the aggregate materially impair the use of the Mortgaged Property taken as a whole for the purposes for which it is held by the Mortgagor;

- (8) liens upon lands over which easements or rights of way are acquired by the Mortgagor for any of the purposes specified in Clause (7) of this definition, securing indebtedness neither created, assumed nor guaranteed by the Mortgagor nor on account of which it customarily pays interest, which liens do not materially impair the use of such easements or rights of way for the purposes for which they are held by the Mortgagor;
- (9) leases existing at the date of this instrument affecting property owned by the Mortgagor at said date which have been previously disclosed to the Mortgagees in writing and leases for a term of not more than two years (including any extensions or renewals) affecting property acquired by the Mortgagor after said date;
- (10) terminable or short term leases or permits for occupancy, which leases or permits expressly grant to the Mortgagor the right to terminate them at any time on not more than six months' notice and which occupancy does not interfere with the operation of the business of the Mortgagor;
- (11) any lien or privilege vested in any lessor, licensor or permittor for rent to become due or for other obligations or acts to be performed, the payment of which rent or performance of which other obligations or acts is required under leases, subleases, licenses or permits, so long as the payment of such rent or the performance of such other obligations or acts is not delinquent;
- (12) liens or privileges of any employees of the Mortgagor for salary or wages earned but not yet payable;
- (13) the burdens of any law or governmental regulation or permit requiring the Mortgagor to maintain certain facilities or perform certain acts as a condition of its occupancy of or interference with any public lands or any river or stream or navigable waters;
- (14) any irregularities in or deficiencies of title to any rights-of-way for pipe lines, telephone lines, telegraph lines, power lines or appurtenances thereto, or other improvements thereon, and to any real estate used or to be used primarily for right-of-way purposes, PROVIDED that in the opinion of counsel for the Mortgagor, the Mortgagor shall have obtained from the apparent owner of the lands or estates therein covered by any such right-of-way a sufficient right, by the terms of the instrument granting such right-of-way, to the use thereof for the construction, operation or maintenance of the lines, appurtenances or improvements for which the same are used or are to be used, or PROVIDED that in the opinion of counsel for the Mortgagor, the Mortgagor has power under eminent domain, or similar statutes, to remove such irregularities or deficiencies;
- (15) rights reserved to, or vested in, any municipality or governmental or other public authority to control or regulate any property of the Mortgagor, or to use such property in any manner, which rights do not materially impair the use of such property, for the purposes for which it is held by the Mortgagor;
- (16) any obligations or duties, affecting the property of the Mortgagor, to any municipality or governmental or other public authority with respect to any franchise, grant, license or permit;
- (17) any right which any municipal or governmental authority may have by virtue of any franchise, license, contract or statute to purchase, or designate a purchaser of or order the sale of, any property of the Mortgagor upon payment of cash or reasonable compensation therefor or to terminate any franchise, license or other rights or to regulate the property and business of the Mortgagor: PROVIDED, HOWEVER, that nothing in this clause 17 is intended to waive any claim or rights that the Government may otherwise have under Federal laws:

- (18) as to properties of other operating electric companies acquired after the date of this Mortgage by the Mortgagor as permitted by Section 3.10 hereof, reservations and other matters as to which such properties may be subject as more fully set forth in such Section;
- (19) any lien required by law or governmental regulations as a condition to the transaction of any business or the exercise of any privilege or license, or to enable the Mortgagor to maintain self-insurance or to participate in any fund established to cover any insurance risks or in connection with workmen's compensation, unemployment insurance, old age pensions or other social security, or to share in the privileges or benefits required for companies participating in such arrangements: PROVIDED, HOWEVER, that nothing in this clause 19 is intended to waive any claim or rights that the Government may otherwise have under Federal laws;
- (20) liens arising out of any defeased mortgage or indenture of the Mortgagor;
- (21) the undivided interest of other owners, and liens on such undivided interests, in property owned jointly with the Mortgagor as well as the rights of such owners to such property pursuant to the ownership contracts;
- (22) any lien or privilege vested in any lessor, licensor or permittor for rent to become due or for other obligations or acts to be performed, the payment of which rent or the performance of which other obligations or acts is required under leases, subleases, licenses or permits, so long as the payment of such rent or the performance of such other obligations or acts is not delinquent;
- (23) purchase money mortgages permitted by Section 3.08;
- (24) the Original Mortgage;
- (25) this Mortgage.

Property Additions shall mean Utility System property as to which the Mortgagor shall provide Title Evidence and which shall be (or, if retired, shall have been) subject to the lien of this Mortgage, which shall be properly chargeable to the Mortgagor's utility plant accounts under Accounting Requirements (including property constructed or acquired to replace retired property credited to such accounts) and which shall be:

- (1) acquired (including acquisition by merger, consolidation, conveyance or transfer) or constructed by the Mortgagor after the date hereof, including property in the process of construction, insofar as not reflected on the books of the Mortgagor with respect to periods on or prior to the date hereof, and
- (2) used or useful in the utility business of the Mortgagor conducted with the properties described in the Granting Clauses of this Mortgage, even though separate from and not physically connected with such properties.

"Property Additions" shall also include:

- (3) easements and rights-of-way that are useful for the conduct of the utility business of the Mortgagor, and
- (4) property located or constructed on, over or under public highways, rivers or other public property if the Mortgagor has the lawful right under permits, licenses or

franchises granted by a governmental body having jurisdiction in the premises or by the law of the State in which such property is located to maintain and operate such property for an unlimited, indeterminate or indefinite period or for the period, if any, specified in such permit, license or franchise or law and to remove such property at the expiration of the period covered by such permit, license or franchise or law, or if the terms of such permit, license, franchise or law require any public authority having the right to take over such property to pay fair consideration therefor.

"Property Additions" shall NOT include:

- (a) good will, going concern value, contracts, agreements, franchises, licenses or permits, whether acquired as such, separate and distinct from the property operated in connection therewith, or acquired as an incident thereto, or
- (b) any shares of stock or indebtedness or certificates or evidences of interest therein or other securities, or
- (c) any plant or system or other property in which the Mortgagor shall acquire only a leasehold interest, or any betterments, extensions, improvements or additions (other than movable physical personal property which the Mortgagor has the right to remove), of, upon or to any plant or system or other property in which the Mortgagor shall own only a leasehold interest unless (i) the term of the leasehold interest in the property to which such betterment, extension, improvement or addition relates shall extend for at least 75% of the useful life of such betterment, extension, improvement or addition and (ii) the lessor shall have agreed to give the Mortgagee reasonable notice and opportunity to cure any default by the Mortgagor under such lease and not to disturb any Mortgagee's possession of such leasehold estate in the event any Mortgagee succeeds to the Mortgagor's interest in such lease upon any Mortgagee's exercise of any remedies under this Mortgage so long as there is no default in the performance of the tenant's covenants contained therein, or
- (d) any property of the Mortgagor subject to the Permitted Encumbrance described in clause (23) of the definition thereof.

Prudent Utility Practice shall mean any of the practices, methods and acts which, in the exercise of reasonable judgment, in light of the facts, including, but not limited to, the practices, methods and acts engaged in or approved by a significant portion of the electric utility industry prior thereto, known at the time the decision was made, would have been expected to accomplish the desired result consistent with cost-effectiveness, reliability, safety and expedition. It is recognized that Prudent Utility Practice is not intended to be limited to optimum practice, method or act to the exclusion of all others, but rather is a spectrum of possible practices, methods or acts which could have been expected to accomplish the desired result at the lowest reasonable cost consistent with cost-effectiveness, reliability, safety and expedition.

REA shall mean the Rural Electrification Administration of the United States Department of Agriculture, the predecessor of RUS.

Regulatory Created Assets shall mean the sum of any amounts properly recordable as unrecovered plant and regulatory study costs or as other regulatory assets, pursuant to Accounting Requirements.

Restricted Rentals shall mean all rentals required to be paid under finance leases and charged to income, exclusive of any amounts paid under any such lease (whether or not designated therein as rental or additional rental) for maintenance or repairs, insurance, taxes, assessments, water rates or similar charges. For the purpose of this definition the term "finance lease" shall mean any lease having a rental term (including the term for which such lease may be renewed or extended at the option of the lessee) in excess of 3 years and covering property having an initial cost in excess of \$250,000 other than aircraft, ships, barges, automobiles, trucks, trailers, rolling stock and vehicles; office, garage and warehouse space; office equipment and computers.

RUS shall mean the Rural Utilities Service, an agency of the United States Department of Agriculture, or if at any time after the execution of this Mortgage RUS is not existing and performing the duties of administering a program of rural electrification as currently assigned to it, then the entity performing such duties at such time.

Security Interest shall mean any assignment, transfer, mortgage, hypothecation or pledge.

Subordinated Indebtedness shall mean secured indebtedness of the Mortgagor, payment of which shall be subordinated to the prior payment of the Notes in accordance with the provisions of Section 3.08 hereof by subordination agreement in form and substance satisfactory to each Mortgagee which approval will not be unreasonably withheld.

Supplemental Mortgage shall mean an instrument of the type described in Section 2.04.

Times Interest Earned Ratio ("TIER") shall mean the ratio determined as follows: for each calendar year: add (i) patronage capital or margins of the Mortgagor and (ii) Interest Expense on Total Long-Term Debt of the Mortgagor and divide the total so obtained by Interest Expense on Total Long-Term Debt of the Mortgagor, provided, however, that in computing Interest Expense on Total Long-Term Debt, there shall be added, to the extent not otherwise included, an amount equal to 33-1/3% of the excess of Restricted Rentals paid by the Mortgagor over 2% of the Mortgagor's Equity.

Title Evidence shall mean with respect to any real property:

- (1) an opinion of counsel to the effect that the Mortgagor has title, whether fairly deducible of record or based upon prescriptive rights (or, as to personal property, based on such evidence as counsel shall determine to be sufficient), as in the opinion of counsel is satisfactory for the use thereof in connection with the operations of the Mortgagor, and counsel in giving such opinion may disregard any irregularity or deficiency in the record evidence of title which, in the opinion of such counsel, can be cured by proceedings within the power of the Mortgagor or does not substantially impair the usefulness of such property for the purpose of the Mortgagor and may base such opinion upon counsel's own investigation or upon affidavits, certificates, abstracts of title, statements or investigations made by persons in whom such counsel has confidence or upon examination of a certificate or guaranty of title or policy of title insurance in which counsel has confidence; or
- (2) a mortgagee's policy of title insurance in the amount of the cost to the Mortgagor of the land included in Property Additions, as such cost is determined by the Mortgagor in accordance with the Accounting Requirements, issued in favor of the Mortgagees by an entity authorized to insure title in the states where the subject property is located, showing the Mortgagor as the owner of the subject property and insuring the lien of this

Mortgage; and with respect to any personal property a certificate of the general manager or other duly authorized officer that the Mortgagor lawfully owns and is possessed of such property.

Total Assets shall mean an amount constituting total assets of the Mortgagor as computed pursuant to Accounting Requirements, but excluding any Regulatory Created Assets.

Total Long-Term Debt shall mean the total outstanding long-term debt of the Mortgagor as computed pursuant to Accounting Requirements.

Total Utility Plant shall mean the total of all property properly recorded in the utility plant accounts of the Mortgagor, pursuant to Accounting Requirements.

Uniform Commercial Code or UCC shall mean the UCC of the state referred to in Section 1.04, and if Mortgaged Property is located in a state other than that state, then as to such Mortgaged Property UCC refers to the UCC in effect in the state where such property is located.

Utility System shall mean the Electric System and all of the Mortgagor's interest in community infrastructure located substantially within its electric service territory, namely water and waste systems, solid waste disposal facilities, telecommunications and other electronic communications systems, and natural gas distribution systems.

Section 1.02. General Rules of Construction:

- a. Accounting terms not defined in Section 1.01 are used in this Mortgage in their ordinary sense and any computations relating to such terms shall be computed in accordance with the Accounting Requirements.
- b. Any reference to "directors" or "board of directors" shall be deemed to mean "trustees" or "board of trustees," as the case may be.

Section 1.03. Special Rules of Construction if RUS is a Mortgagee:

During any period that RUS is a Mortgagee, the following additional provisions shall apply:

- a. In the case of any Notes that have been guaranteed or insured as to payment by RUS, as to such Notes RUS shall be considered to be the Noteholder, exclusively, regardless of whether such Notes are in the possession of RUS.
- b. In the case of any prior approval rights conferred upon RUS by Federal statutes, including (without limitation) Section 7 of the Rural Electrification Act of 1936, as amended, with respect to the sale or disposition of property, rights, or franchises of the Mortgagor, all such statutory rights are reserved except to the extent that they are expressly modified or waived in this Mortgage.

Section 1.04. Governing Law:

This Mortgage shall be construed in and governed by Federal law to the extent applicable, and otherwise by the laws of the state listed on Schedule "A" hereto.

Section 1.05 Notices:

All demands, notices, reports, approvals, designations, or directions required or permitted to be given hereunder shall be in writing and shall be deemed to be properly given if sent by registered or certified mail, postage prepaid, or delivered by hand, or sent by facsimile transmission, receipt confirmed, addressed to the proper party or parties at the addresses listed on Schedule "A" hereto, and as to any other person, firm, corporation or governmental body or agency having an interest herein by reason of being a Mortgagee, at the last address designated by such person, firm, corporation, governmental body or agency to the Mortgagor and the other Mortgagees. Any such party may from time to time designate to each other a new address to which demands, notices, reports, approvals, designations or directions may be addressed, and from and after any such designation the address designated shall be deemed to be the address of such party in lieu of the address given above.

ARTICLE II**ADDITIONAL NOTES****Section 2.01. Additional Notes:**

- (a) Without the prior consent of any Mortgagee or any Noteholder, the Mortgagor may issue Additional Notes to the Government or to another lender or lenders for the purpose of acquiring, procuring or constructing new or replacement Eligible Property Additions and such Additional Notes will thereupon be secured equally and ratably with the Notes if each of the following requirements are satisfied:
- (1) As evidenced by a certificate of an Independent certified public accountant sent to each Mortgagee on or before the first advance of proceeds from such Additional Notes:
- (i) The Mortgagor shall have achieved for each of the two calendar years immediately preceding the issuance of such Additional Notes, a TIER of not less than 1.5 and a DSC of not less than 1.25;
 - (ii) After taking into account the effect of such Additional Notes on the Total Long Term Debt of the Mortgagor, the ratio of the Mortgagor's Net Utility Plant to its Total Long Term Debt shall be greater than or equal to 1.0 on a pro forma basis;
 - (iii) After taking into account the effect of such Additional Notes on the Total Assets of such Mortgagor, the Mortgagor shall have Equity greater than or equal to 27 percent of Total Assets on a pro forma basis; and
 - (iv) The sum of the aggregate principal amount of such Additional Notes (if any) that are not related to the Electric System if added to the aggregate outstanding principal amount of all the existing Notes (if any) that are not related to the Electric System will not exceed 30% of the Mortgagor's Equity on a pro forma basis.

- (2) No Event of Default has occurred and is continuing hereunder, 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.
- (3) The Eligible Property Additions being constructed, acquired, procured or replaced are part of the Mortgagor's Utility System.
- (4) The Mortgagor's general manager or other duly authorized officer shall send to each of the Mortgagees a certificate in substantially the form attached hereto as Exhibit A on or before the date of the first advance of proceeds from such Additional Notes.

(b) For purposes of this section:

- (1) "Eligible Property Additions" shall mean Property Additions acquired or whose construction was completed not more than 5 years prior to the issuance of the Additional Notes and Property Additions acquired or whose construction is started and/or completed not more than 4 years after issuance of the Additional Notes, but shall exclude any Property Additions financed by any other debt secured under the Mortgage at the time additional Notes are issued;
- (2) Notes are considered to be "issued" on, and the date of "issuance" shall be, the date on which they are executed by the Mortgagor; and
- (3) For purposes of calculating the pro forma ratios in subparagraphs (a)(1)(ii) and (iii), the values for Total Long Term Debt and Total Assets before debt issuance and the values for Equity and Net Utility Plant shall be the most recently available end-of-month figures preceding the issuance of the Additional Notes, but in no case for a month ending more than 180 days preceding such issuance.

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 Additional 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.

Section 2.03. Other Additional Notes.

With the prior written consent of each Mortgagee, the Mortgagor may issue Additional Notes to the Government or any lender or lenders, which Notes will thereupon be secured equally and ratably with Notes without regard to whether any of the requirements of Sections 2.01 or 2.02 are satisfied.

Section 2.04. Additional Lenders Entitled to the Benefit of This Mortgage:

Without the prior consent of any Mortgagee or any Noteholder, each new lender designated as a payee in any Additional Notes issued by the Mortgagor pursuant to Section 2.01 or 2.02 of this Mortgage shall become a Mortgagee hereunder upon the execution and delivery by the Mortgagor and such lender of a supplemental mortgage hereto designating such lender as a Mortgagee hereunder. Such new lender shall be entitled to the benefits of this Mortgage without further act or deed. Each Mortgagee and each person or entity that becomes a lender pursuant to Section 2.01 or 2.02 of this Mortgage shall, upon the request of the Mortgagor to do so, execute and deliver a supplement to this Mortgage in substantially the form set forth in Section 2.05 to evidence the addition of such new lender as an additional Mortgagee entitled to the benefits of this Mortgage. The failure of any existing Mortgagee to enter into such supplemental mortgage shall not deprive the new lender of its rights under this Mortgage; provided that such additional indebtedness otherwise conforms in all respects with the requirements for issuing Additional Notes under this Mortgage.

Section 2.05. Form of Supplemental Mortgage:

- (a) The form of supplemental mortgage referred to in Section 2.04 is attached to this Mortgage as Exhibit B and hereby incorporated by reference as if set forth in full at this point.
- (b) In the event that the Mortgagor subsequently issues Additional Notes pursuant to Sections 2.01 or 2.02 to any existing Mortgagee and that Mortgagee desires further assurance that such Additional Notes will be secured by the lien of the Mortgage, an instrument substantially in the form of the supplemental mortgage attached as Exhibit B may be used.
- (c) In the event that the Mortgagor issues Additional Notes pursuant to Section 2.03 to either an existing Mortgagee or a new lender, in either case with the prior written consent of each Mortgagee, then an instrument substantially in the form of the supplemental mortgage attached as Exhibit B may also be used.

ARTICLE III**PARTICULAR COVENANTS OF THE MORTGAGOR****Section 3.01. Payment of Debt Service on Notes:**

The Mortgagor will duly and punctually pay the principal, premium, if any, and interest on the Notes in accordance with the terms of the Notes, the Loan Agreements, this Mortgage and any Supplemental Mortgage authorizing such Notes.

Section 3.02. Warranty of Title:

- (a) At the time of the execution and delivery of this instrument, the Mortgagor has good and marketable title in fee simple to the real property specifically described in Granting Clause First as owned in fee and good and marketable title to the interests in real property specifically described in Granting Clause First, subject to no mortgage, lien, charge or encumbrance except as stated therein, and has full power and lawful authority to grant, bargain, sell, alien, remise, release, convey, assign, transfer, encumber,

mortgage, pledge, set over and confirm said real property and interests in real property in the manner and form aforesaid.

- (b) At the time of the execution and delivery of this instrument, the Mortgagor lawfully owns and is possessed of the personal property specifically described in Granting Clauses First and Second, subject to no mortgage, lien, charge or encumbrance except as stated therein, and has full power and lawful authority to mortgage, assign, transfer, deliver, pledge and grant a continuing security interest in said property and, including any proceeds thereof, in the manner and form aforesaid.
- (c) The Mortgagor hereby does and will forever warrant and defend the title to the property specifically described in Granting Clause First against the claims and demands of all persons whomsoever, except Permitted Encumbrances.

Section 3.03. After-Acquired Property; Further Assurances; Recording:

- (a) All property of every kind, other than Excepted Property, acquired by the Mortgagor after the date hereof, shall, immediately upon the acquisition thereof by the Mortgagor, and without any further mortgage, conveyance or assignment, become subject to the lien of this Mortgage; SUBJECT, HOWEVER, to Permitted Encumbrances and the exceptions, if any, to which all of the Mortgagees consent. Nevertheless, the Mortgagor will do, execute, acknowledge and deliver all and every such further acts, conveyances, mortgages, financing statements and assurances as any Mortgagee shall require for accomplishing the purposes of this Mortgage.
- (b) The Mortgagor will cause this Mortgage and all Supplemental Mortgages and other instruments of further assurance, including all financing statements covering security interests in personal property, to be promptly recorded, registered and filed, and will execute and file such financing statements and cause to be issued and filed such continuation statements, all in such manner and in such places as may be required by law fully to preserve and protect the rights of all of the Mortgagees and Noteholders hereunder to all property comprising the Mortgaged Property. The Mortgagor will furnish to each Mortgagee:
 - (1) promptly after the execution and delivery of this instrument and of each Supplemental Mortgage or other instrument of further assurance, an Opinion of Counsel stating that, in the opinion of such Counsel, this instrument and all such Supplemental Mortgages and other instruments of further assurance have been properly recorded, registered and filed to the extent necessary to make effective the lien intended to be created by this Mortgage, and reciting the details of such action or referring to prior Opinions of Counsel in which such details are given, and stating that all financing statements and continuation statements have been executed and filed that are necessary fully to preserve and protect the rights of all of the Mortgagees and Noteholders hereunder, or stating that, in the opinion of such Counsel, no such action is necessary to make the lien effective; and
 - (2) during the month of January in each year following the first anniversary of the date of this Mortgage, an Opinion of Counsel, dated on or about the date of delivery, either stating that, in the opinion of such Counsel, such action has been taken with respect to the recording, registering, filing, re-recording, re-registering and re-filing of this instrument and of all Supplemental Mortgages, financing statements, continuation statements or other instruments of further assurances as is necessary to maintain the

lien of this Mortgage (including the lien on any property acquired by the Mortgagor after the execution and delivery of this instrument and owned by the Mortgagor at the end of preceding calendar year) and reciting the details of such action or referring to prior Opinions of Counsel in which such details are given, and stating that all financing statements and continuation statements have been executed and filed that are necessary to fully preserve and protect the rights of all of the Mortgagees and Noteholders hereunder, or stating that, in the opinion of such Counsel, no such action is necessary to maintain such lien.

Section 3.04. Environmental Requirements and Indemnity:

- (a) The Mortgagor shall, with respect to all facilities which may be part of the Mortgaged Property, comply with all Environmental Laws.
- (b) The Mortgagor shall defend, indemnify, and hold harmless each Mortgagee, its successors and assigns, from and against any and all liabilities, losses, damages, costs, expenses (including but not limited to reasonable attorneys' fees and expenses), causes of actions, administrative proceedings, suits, claims, demands, or judgments of any nature arising out of or in connection with any matter related to the Mortgage Property and any Environmental Law, including but not limited to:
 - (1) the past, present, or future presence of any hazardous substance, contaminant, pollutant, or hazardous waste on or related to the Mortgaged Property;
 - (2) any failure at any time by the undersigned to comply with the terms of any order related to the Mortgaged Property and issued by any Federal, state, or municipal department or agency (other than RUS) exercising its authority to enforce any Environmental Law; and
 - (3) any lien or claim imposed under any Environmental Law related to clause (1).
- (c) Within 10 (ten) business days after receiving knowledge of any liability, losses, damages, costs, expenses (including but not limited to reasonable attorneys' fees and expenses), cause of action, administrative proceeding, suit, claim, demand, judgment, lien, reportable event including but not limited to the release of a hazardous substance, or potential or actual violation or non-compliance arising out of or in connection with the Mortgaged Property and any Environmental Law, the Mortgagor shall provide each Mortgagee with written notice of such matter. With respect to any matter upon which it has provided such notice, the Mortgagor shall immediately take any and all appropriate actions to remedy, cure, defend, or otherwise affirmatively respond to the matter.

Section 3.05. Payment of Taxes:

The Mortgagor will pay or cause to be paid as they become due and payable all taxes, assessments and other governmental charges lawfully levied or assessed or imposed upon the Mortgaged Property or any part thereof or upon any income therefrom, and also (to the extent that such payment will not be contrary to any applicable laws) all taxes, assessments and other governmental charges lawfully levied, assessed or imposed upon the lien or interest of the Noteholders or of the Mortgagees in the Mortgaged Property, so that (to the extent aforesaid) the lien of this Mortgage shall at all times be wholly preserved at the cost of the Mortgagor and without expense to the Mortgagees or the Noteholders; PROVIDED, HOWEVER, that the

Mortgagor shall not be required to pay and discharge or cause to be paid and discharged any such tax, assessment or governmental charge to the extent that the amount, applicability or validity thereof shall currently be contested in good faith by appropriate proceedings and the Mortgagor shall have established and shall maintain adequate reserves on its books for the payment of the same.

Section 3.06. Authority to Execute and Deliver Notes, Loan Agreements and Mortgage; All Action Taken; Enforceable Obligations:

The Mortgagor is authorized under its articles of incorporation and bylaws (or code of regulations) and all applicable laws and by corporate action to execute and deliver the Notes, any Additional Notes, the Loan Agreements and this Mortgage. The Notes, the Loan Agreements and this Mortgage are, and any Additional Notes and Loan Agreements when executed and delivered will be, the valid and enforceable obligations of the Mortgagor in accordance with their respective terms.

Section 3.07. Restrictions on Further Encumbrances on Property:

Except to secure Additional Notes, the Mortgagor will not, without the prior written consent of each Mortgagee, create or incur or suffer or permit to be created or incurred or to exist any Lien, charge, assignment, pledge or mortgage on any of the Mortgaged Property inferior to, prior to, or on a parity with the Lien of this Mortgage except for the Permitted Encumbrances. Subject to the provisions of Section 3.08, or unless approved by each of the Mortgagees, the Mortgagor will purchase all materials, equipment and replacements to be incorporated in or used in connection with the Mortgaged Property outright and not subject to any conditional sales agreement, chattel mortgage, bailment, lease or other agreement reserving to the seller any right, title or Lien.

Section 3.08. Restrictions On Additional Permitted Debt:

The Mortgagor shall not incur, assume, guarantee or otherwise become liable in respect of any debt for borrowed money and Restricted Rentals (including Subordinated Debt) other than the following: ("Permitted Debt")

- (1) Additional Notes issued in compliance with Article II hereof;
- (2) Purchase money indebtedness in non-Utility System property, in an amount not exceeding 10% of Net Utility Plant;
- (3) Restricted Rentals in an amount not to exceed 5% of Equity during any 12 consecutive calendar month period;
- (4) Unsecured lease obligations incurred in the ordinary course of business except Restricted Rentals;
- (5) Unsecured indebtedness for borrowed money;
- (6) Debt represented by dividends declared but not paid; and
- (7) Subordinated Indebtedness approved by each Mortgagee.

PROVIDED, However, that the Mortgagor may incur Permitted Debt without the consent of the Mortgagee only so long as there exists no Event of Default hereunder and there has been no

continuing occurrence which with the passage of time and giving of notice could become an Event of Default hereunder.

PROVIDED, FURTHER, by executing this Mortgage any consent of RUS that the Mortgagor would otherwise be required to obtain under this Section is hereby deemed to be given or waived by RUS by operation of law to the extent, but only to the extent, that to impose such a requirement of RUS consent would clearly violate existing Federal laws or government regulations.

Section 3.09. Preservation of Corporate Existence and Franchises:

The Mortgagor will, so long as any Outstanding Notes exist, take or cause to be taken all such action as from time to time may be necessary to preserve its corporate existence and to preserve and renew all franchises, rights of way, easements, permits, and licenses now or hereafter to be granted or upon it conferred the loss of which would have a material adverse affect on the Mortgagor's financial condition or business. The Mortgagor will comply with all laws, ordinances, regulations, orders, decrees and other legal requirements applicable to it or its property the violation of which could have a material adverse affect on the Mortgagor's financial condition or business.

Section 3.10. Limitations on Consolidations and Mergers:

The Mortgagor shall not, without the prior written approval of each Mortgagee, consolidate or merge with any other corporation or convey or transfer the Mortgaged Property substantially as an entirety unless:

- (1) such consolidation, merger, conveyance or transfer shall be on such terms as shall fully preserve the lien and security hereof and the rights and powers of the Mortgagees hereunder;
- (2) the entity formed by such consolidation or with which the Mortgagor is merged or the corporation which acquires by conveyance or transfer the Mortgaged Property substantially as an entirety shall execute and deliver to the Mortgagees a mortgage supplemental hereto in recordable form and containing an assumption by such successor entity of the due and punctual payment of the principal of and interest on all of the Outstanding Notes and the performance and observance of every covenant and condition of this Mortgage;
- (3) immediately after giving effect to such transaction, no default hereunder shall have occurred and be continuing;
- (4) the Mortgagor shall have delivered to the Mortgagees a certificate of its general manager or other officer, in form and substance satisfactory to each of the Mortgagees, which shall state that such consolidation, merger, conveyance or transfer and such supplemental mortgage comply with this subsection and that all conditions precedent herein provided for relating to such transaction have been complied with;
- (5) the Mortgagor shall have delivered to the Mortgagees an opinion of counsel in form and substance satisfactory to each of the Mortgagees; and

- (6) the entity formed by such consolidation or with which the Mortgagor is merged or the corporation which acquires by conveyance or transfer the Mortgaged Property substantially as an entirety shall be an entity -
- (A) having Equity equal to at least 27% of its Total Assets on a pro forma basis after giving effect to such transaction,
 - (B) having a pro forma TIER of not less than 1.50 and a pro forma DSC of not less than 1.25 for each of the two preceding calendar years, and
 - (C) having Net Utility Plant equal to or greater than 1.0 times its Total Long-Term Debt on a pro forma basis. Upon any consolidation or merger or any conveyance or transfer of the Mortgaged Property substantially as an entirety in accordance with this subsection, the successor entity formed by such consolidation or with which the Mortgagor is merged or to which such conveyance or transfer is made shall succeed to, and be substituted for, and may exercise every right and power of, the Mortgagor under this Mortgage with the same effect as if such successor entity had been named as the Mortgagor herein.

Section 3.11. Limitations on Transfers of Property:

The Mortgagor may not, except as provided in Section 3.10 above, without the prior written approval of each Mortgagee, sell, lease or transfer any Mortgaged Property to any other person or entity (including any subsidiary or affiliate of the Mortgagor), unless

- (1) there exists no Event of Default or occurrence which with the passing of time and the giving of notice would be an Event of Default,
- (2) fair market value is obtained for such property,
- (3) the aggregate value of assets so sold, leased or transferred in any 12-month period is less than 10% of Net Utility Plant, and
- (4) the proceeds of such sale, lease or transfer, less ordinary and reasonable expenses incident to such transaction, are immediately
 - (i) applied as a prepayment of all Notes equally and ratably,
 - (ii) in the case of dispositions of equipment, materials or scrap, applied to the purchase of other property useful in the Mortgagor's utility business, not necessarily of the same kind as the property disposed of, which shall forthwith become subject to the Lien of the Mortgage, or
 - (iii) applied to the acquisition or construction of utility plant.

Section 3.12. Maintenance of Mortgaged Property:

- (a) So long as the Mortgagor holds title to the Mortgaged Property, the Mortgagor will at all times maintain and preserve the Mortgaged Property which is used or useful in the Mortgagor's business and every part and parcel thereof in good repair, working order and condition, ordinary wear and tear and acts of God excepted, and in compliance with Prudent Utility Practice and in compliance with all applicable laws,

regulations and orders, and will from time to time make all needed and proper repairs, renewals and replacements, and useful and proper alterations, additions, betterments and improvements, and will, subject to contingencies beyond its reasonable control, at all times use all reasonable diligence to furnish the consumers served by it through the Mortgaged Property, or any part thereof, with an adequate supply of electric power and energy. If any substantial part of the Mortgaged Property is leased by the Mortgagor to any other party, the lease agreement between the Mortgagor and the lessee shall obligate the lessee to comply with the provisions of subsections (a) and (b) of this Section in respect of the leased facilities and to permit the Mortgagor to operate the leased facilities in the event of any failure by the lessee to so comply.

- (b) If in the sole judgement of any Mortgagee, the Mortgaged Property is not being maintained and repaired in accordance with paragraph (a) of this section, such Mortgagee may send to the Mortgagor a written report of needed improvements and the Mortgagor will upon receipt of such written report promptly undertake to accomplish such improvements.
- (c) The Mortgagor further agrees that upon reasonable written request of any Mortgagee, which request together with the requests of any other Mortgagees shall be made no more frequently than once every three years, the Mortgagor will supply promptly to each Mortgagee a certification (hereinafter called the "Engineer's Certification"), in form satisfactory to the requestor, prepared by a professional engineer, who shall be satisfactory to the Mortgagees, as to the condition of the Mortgaged Property. If in the sole judgment of any Mortgagee the Engineer's Certification discloses the need for improvements to the condition of the Mortgaged Property or any other operations of the Mortgagor, such Mortgagee may send to the Mortgagor a written report of such improvements and the Mortgagor will upon receipt of such written report promptly undertake to accomplish such of these improvements as are required by such Mortgagee.

Section 3.13. Insurance; Restoration of Damaged Mortgaged Property:

- (a) The Mortgagor will take out, as the respective risks are incurred, and maintain the classes and amounts of insurance in conformance with generally accepted utility industry standards for such classes and amounts of coverages of utilities of the size and character of the Mortgagor and consistent with Prudent Utility Practice.
- (b) The foregoing insurance coverage shall be obtained by means of bond and policy forms approved by regulatory authorities having jurisdiction, and, with respect to insurance upon any part of the Mortgaged Property, shall provide that the insurance shall be payable to the Mortgagees as their interests may appear by means of the standard mortgagee clause without contribution. Each policy or other contract for such insurance shall contain an agreement by the insurer that, notwithstanding any right of cancellation reserved to such insurer, such policy or contract shall continue in force for at least 30 days after written notice to each Mortgagee of cancellation.
- (c) In the event of damage to or the destruction or loss of any portion of the Mortgaged Property which is used or useful in the Mortgagor's business and which shall be covered by insurance, unless each Mortgagee shall otherwise agree, the Mortgagor shall replace or restore such damaged, destroyed or lost portion so that such Mortgaged Property shall be in substantially the same condition as it was in prior to such damage, destruction or loss, and shall apply the proceeds of the insurance for that purpose. The Mortgagor

shall replace the lost portion of such Mortgaged Property or shall commence such restoration promptly after such damage, destruction or loss shall have occurred and shall complete such replacment or restoration as expeditiously as practicable, and shall pay or cause to be paid out of the proceeds of such insurance all costs and expenses in connection therewith.

- (d) Sums recovered under any policy or fidelity bond by the Mortgagor for a loss of funds advanced under the Notes or recovered by any Mortgagee or any Noteholder for any loss under such policy or bond shall, unless applied as provided in the preceding paragraph, be used to finance construction of utility plant secured or to be secured by this Mortgage, or unless otherwise directed by the Mortgagees, be applied to the prepayment of the Notes pro rata according to the unpaid principal amounts thereof (such prepayments to be applied to such Notes and installments thereof as may be designated by the respective Mortgagee at the time of any such prepayment), or be used to construct or acquire utility plant which will become part of the Mortgaged Property. At the request of any Mortgagee, the Mortgagor shall exercise such rights and remedies which they may have under such policy or fidelity bond and which may be designated by such Mortgagee, and the Mortgagor hereby irrevocably appoints each Mortgagee as its agent to exercise such rights and remedies under such policy or bond as such Mortgagee may choose, and the Mortgagor shall pay all costs and reasonable expenses incurred by the Mortgagee in connection with such exercise.

Section 3.14. Mortgagee Right to Expend Money to Protect Mortgaged Property:

The Mortgagor agrees that any Mortgagee from time to time hereunder may, in its sole discretion, after having given 5 Business days prior written notice to the Mortgagor, but shall not be obligated to, advance funds on behalf of the Mortgagor, in order to insure the Mortgagor's compliance with any covenant, warranty, representation or agreement of the Mortgagor made in or pursuant to this Mortgage or any of the Loan Agreements, to preserve or protect any right or interest of the Mortgagees in the Mortgaged Property or under or pursuant to this Mortgage or any of the Loan Agreements, including without limitation, the payment of any insurance premiums or taxes and the satisfaction or discharge of any judgment or any Lien upon the Mortgaged Property or other property or assets of the Mortgagor, provided, however, that the making of any such advance by or through any Mortgagee shall not constitute a waiver by any Mortgagee of any Event of Default with respect to which such advance is made nor relieve the Mortgagor of any such Event of Default. The Mortgagor shall pay to a Mortgagee upon demand all such advances made by such Mortgagee with interest thereon at a rate equal to that on the Note having the highest interest rate but in no event shall such rate be in excess of the maximum rate permitted by applicable law. All such advances shall be included in the obligations and secured by the security interest granted hereunder.

Section 3.15. Time Extensions for Payment of Notes:

Any Mortgagee may, at any time or times in succession without notice to or the consent of the Mortgagor, or any other Mortgagee, and upon such terms as such Mortgagee may prescribe, grant to any person, firm or corporation who shall have become obligated to pay all or any part of the principal of (and premium, if any) or interest on any Note held by or indebtedness owed to such Mortgagee or who may be affected by the lien hereby created, an extension of the time for the payment of such principal, (and premium, if any) or interest, and after any such extension the Mortgagor will remain liable for the payment of such Note or indebtedness to the same extent as though it had at the time of such extension consented thereto in writing.

Section 3.16. Application of Proceeds from Condemnation:

- (a) In the event that the Mortgaged Property or any part thereof, shall be taken under the power of eminent domain, all proceeds and avails therefrom may be used to finance construction of utility plant secured or to be secured by this Mortgage. Any proceeds not so used shall forthwith be applied by the Mortgagor: first, to the ratable payment of any indebtedness secured by this Mortgage other than principal of or interest on the Notes; second, to the ratable payment of interest which shall have accrued on the Notes and be unpaid; third, to the ratable payment of or on account of the unpaid principal of the Notes, to such installments thereof as may be designated by the respective Mortgagee at the time of any such payment; and fourth, the balance shall be paid to whomsoever shall be entitled thereto.
- (b) If any part of the Mortgaged Property shall be taken by eminent domain, each Mortgagee shall release the property so taken from the Mortgaged Property and shall be fully protected in so doing upon being furnished with:
- (1) A certificate of a duly authorized officer of the Mortgagor requesting such release, describing the property to be released and stating that such property has been taken by eminent domain and that all conditions precedent herein provided or relating to such release have been complied with; and
 - (2) an opinion of counsel to the effect that such property has been lawfully taken by exercise of the right of eminent domain, that the award for such property so taken has become final and that all conditions precedent herein provided for relating to such release have been complied with.

Section 3.17. Compliance with Loan Agreements; Notice of Amendments to and Defaults under Loan Agreements:

The Mortgagor will observe and perform all of the material covenants, agreements, terms and conditions contained in any Loan Agreement entered into in connection with the issuance of any of the Notes, as from time to time amended. The Mortgagor will send promptly to each Mortgagee notice of any default by the Mortgagor under any Loan Agreement and notice of any amendment to any Loan Agreement. Upon request of any Mortgagee, the Mortgagor will furnish to such Mortgagee single copies of such Loan Agreements and amendments thereto as such Mortgagee may request.

Section 3.18. Rights of Way, etc., Necessary in Business:

The Mortgagor will use its best efforts to obtain all such rights of way, easements from landowners and releases from lienors as shall be necessary or advisable in the conduct of its business, and, if requested by any Mortgagee, deliver to such Mortgagee evidence satisfactory to such Mortgagee of the obtaining of such rights of way, easements or releases.

Section 3.19. Limitations on Providing Free Electric Services:

The Mortgagor will not furnish or supply or cause to be furnished or supplied any electric power, energy or capacity free of charge to any person, firm or corporation, public or private, and the Mortgagor will enforce the payment of any and all amounts owing to the Mortgagor by reason of the ownership and operation of the Utility System by discontinuing such use, output, capacity,

or service, or by filing suit therefor within 90 days after any such accounts are due, or by both such discontinuance and by filing suit.

Section 3.20. Keeping Books; Inspection by Mortgagee:

The Mortgagor will keep proper books, records and accounts, in which full and correct entries shall be made of all dealings or transactions of or in relation to the Notes and the Utility System, properties, business and affairs of the Mortgagor in accordance with the Accounting Requirements. The Mortgagor will at any and all times, upon the written request of any Mortgagee and at the expense of the Mortgagor, permit such Mortgagee by its representatives to inspect the Utility System and properties, books of account, records, reports and other papers of the Mortgagor and to take copies and extracts therefrom, and will afford and procure a reasonable opportunity to make any such inspection, and the Mortgagor will furnish to each Mortgagee any and all such information as such Mortgagee may request, with respect to the performance by the Mortgagor of its covenants under this Mortgage, the Notes and the Loan Agreements.

Section 3.21. Maximum Debt Limit:

The Notes at any one time secured by this Mortgage shall not in the aggregate principal amount exceed the Maximum Debt Limit.

ARTICLE IV

EVENTS OF DEFAULT AND REMEDIES

Section 4.01. Events of Default:

Each of the following shall be an "Event of Default" under this Mortgage:

- (a) default shall be made in the payment of any installment of or on account of interest on or principal of (or premium, if any associated with) any Note or Notes for more than five (5) Business Days after the same shall be required to be made;
- (b) default shall be made in the due observance or performance of any other of the covenants, conditions or agreements on the part of the Mortgagor, in any of the Notes, Loan Agreements or in this Mortgage, and such default shall continue for a period of thirty (30) days after written notice specifying such default and requiring the same to be remedied and stating that such notice is a "Notice of Default" hereunder shall have been given to the Mortgagor by any Mortgagee; PROVIDED, HOWEVER that in the case of a default on the terms of a Note or Loan Agreement of a particular Mortgagee, the "Notice of Default" required under this paragraph may only be given by that Mortgagee;
- (c) the Mortgagor shall file a petition in bankruptcy or be adjudicated a bankrupt or insolvent, or shall make an assignment for the benefit of its creditors, or shall consent to the appointment of a receiver of itself or of its property, or shall institute proceedings for its reorganization or proceedings instituted by others for its reorganization shall not be dismissed within sixty (60) days after the institution thereof;

- (d) a receiver or liquidator of the Mortgagor or of any substantial portion of its property shall be appointed and the order appointing such receiver or liquidator shall not be vacated within sixty (60) days after the entry thereof,
- (e) the Mortgagor shall forfeit or otherwise be deprived of its corporate charter or franchises, permits, easements, or licenses required to carry on any material portion of its business;
- (f) a final judgment for an amount of more than \$25,000 shall be entered against the Mortgagor and shall remain unsatisfied or without a stay in respect thereof for a period of sixty (60) days; or,
- (g) any material representation or warranty made by the Mortgagor herein, in the Loan Agreements or in any certificate or financial statement delivered hereunder or thereunder shall prove to be false or misleading in any material respect at the time made.

Section 4.02. Acceleration of Maturity; Rescission and Annulment:

- (a) If an Event of Default described in Section 4.01(a) has occurred and is continuing, any Mortgagee upon which such default has occurred may declare the principal of all its Notes secured hereunder to be due and payable immediately by a notice in writing to the Mortgagor and to the other Mortgagees (failure to provide said notice to any other Mortgagee shall not affect the validity of any acceleration of the Note or Notes by such Mortgagee), and upon such declaration, all unpaid principal (and premium, if any) and accrued interest so declared shall become due and payable immediately, anything contained herein or in any Note or Notes to the contrary notwithstanding.
- (b) If any other Event of Default shall have occurred and be continuing, any Mortgagee may declare the principal of all its Notes secured hereunder to be due and payable immediately by a notice in writing to the Mortgagor and to the other Mortgagees (failure to provide said notice to any other Mortgagee shall not affect the validity of any acceleration of the Note or Notes by such Mortgagee), and upon such declaration, all unpaid principal (and premium, if any) and accrued interest so declared shall become due and payable immediately, anything contained herein or in any Note or Notes to the contrary notwithstanding.
- (c) Upon receipt of actual knowledge of or any notice of acceleration by any Mortgagee, any other Mortgagee may declare the principal of all of its Notes to be due and payable immediately by a notice in writing to the Mortgagor and upon such declaration, all unpaid principal (and premium, if any) and accrued interest so declared shall become due and payable immediately, anything contained herein or in any Note or Notes or Loan Agreements to the contrary notwithstanding.
- (d) If after the unpaid principal of (and premium, if any) and accrued interest on any of the Notes shall have been so declared to be due and payable, all payments in respect of principal and interest which shall have become due and payable by the terms of such Note or Notes (other than amounts due as a result of the acceleration of the Notes) shall be paid to the respective Mortgagees, and (i) all other defaults under the Loan Agreements, the Notes and this Mortgage shall have been made good or cured to the

satisfaction of the Mortgagees representing at least 80% of the aggregate unpaid principal balance of all of the Notes then outstanding. (ii) proceedings to foreclose the lien of this Mortgage have not been commenced, and (iii) all reasonable expenses paid or incurred by the Mortgagees in connection with the acceleration shall have been paid to the respective Mortgagees. then in every such case such Mortgagees representing at least 80% of the aggregate unpaid principal balance of all of the Notes then outstanding may by written notice to the Mortgagor, for purposes of this Mortgage, annul such declaration and waive such default and the consequences thereof, but no such waiver shall extend to or affect any subsequent default or impair any right consequent thereon.

Section 4.03. Remedies of Mortgagees:

If one or more of the Events of Default shall occur and be continuing, any Mortgagee personally or by attorney, in its or their discretion, may, in so far as not prohibited by law:

- (a) take immediate possession of the Mortgaged Property, collect and receive all credits, outstanding accounts and bills receivable of the Mortgagor and all rents, income, revenues, proceeds and profits pertaining to or arising from the Mortgaged Property, or any part thereof, whether then past due or accruing thereafter, and issue binding receipts therefor, and manage, control and operate the Mortgaged Property as fully as the Mortgagor might do if in possession thereof, including, without limitation, the making of all repairs or replacements deemed necessary or advisable by such Mortgagee in possession;
- (b) proceed to protect and enforce the rights of all of the Mortgagees by suits or actions in equity or at law in any court or courts of competent jurisdiction, whether for specific performance of any covenant or any agreement contained herein or in aid of the execution of any power herein granted or for the foreclosure hereof or hereunder or for the sale of the Mortgaged Property, or any part thereof, or to collect the debts hereby secured or for the enforcement of such other or additional appropriate legal or equitable remedies as may be deemed necessary or advisable to protect and enforce the rights and remedies herein granted or conferred, and in the event of the institution of any such action or suit the Mortgagee instituting such action or suit shall have the right to have appointed a receiver of the Mortgaged Property and of all proceeds, rents, income, revenues and profits pertaining thereto or arising therefrom, whether then past due or accruing after the appointment of such receiver, derived, received or had from the time of the commencement of such suit or action, and such receiver shall have all the usual powers and duties of receivers in like and similar cases, to the fullest extent permitted by law, and if application shall be made for the appointment of a receiver the Mortgagor hereby expressly consents that the court to which such application shall be made may make said appointment; and
- (c) sell or cause to be sold all and singular the Mortgaged Property or any part thereof, and all right, title, interest, claim and demand of the Mortgagor therein or thereto, at public auction at such place in any county (or its equivalent locality) in which the property to be sold, or any part thereof, is located, at such time and upon such terms as may be specified in a notice of sale, which shall state the time when and the place where the sale is to be held, shall contain a brief general description of the property to be sold, and shall be given by mailing a copy thereof to the Mortgagor at least fifteen (15) days prior to the date fixed for such sale and by publishing the same once in each week for two successive calendar weeks prior to the date of such sale in a newspaper of general circulation published in said locality or, if no such newspaper is published in such

locality, in a newspaper of general circulation in such locality, the first such publication to be not less than fifteen (15) days nor more than thirty (30) days prior to the date fixed for such sale. Any sale to be made under this subparagraph (c) of this Section 4.03 may be adjourned from time to time by announcement at the time and place appointed for such sale or for such adjourned sale or sales, and without further notice or publication the sale may be had at the time and place to which the same shall be adjourned; provided, however, that in the event another or different notice of sale or another or different manner of conducting the same shall be required by law the notice of sale shall be given or the sale be conducted, as the case may be, in accordance with the applicable provisions of law. The expense incurred by any Mortgagee (including, but not limited to, receiver's fees, counsel fees, cost of advertisement and agents' compensation) in the exercise of any of the remedies provided in this Mortgage shall be secured by this Mortgage.

- (d) In the event that a Mortgagee proceeds to enforce remedies under this Section, any other Mortgagee may join in such proceedings. In the event that the Mortgagees are not in agreement with the method or manner of enforcement chosen by any other Mortgagee, the Mortgagees representing a majority of the aggregate unpaid principal balance on the then outstanding Notes may direct the method and manner in which remedial action will proceed.

Section 4.04. Application of Proceeds from Remedial Actions:

Any proceeds or funds arising from the exercise of any rights or the enforcement of any remedies herein provided after the payment or provision for the payment of any and all costs and expenses in connection with the exercise of such rights or the enforcement of such remedies shall be applied first, to the ratable payment of indebtedness hereby secured other than the principal of or interest on the Notes; second, to the ratable payment of interest which shall have accrued on the Notes and which shall be unpaid; third, to the ratable payment of or on account of the unpaid principal of the Notes; and the balance, if any, shall be paid to whomsoever shall be entitled thereto.

Section 4.05. Remedies Cumulative; No Election:

Every right or remedy herein conferred upon or reserved to the Mortgagees or to the Noteholders shall be cumulative and shall be in addition to every other right and remedy given hereunder or now or hereafter existing at law, or in equity, or by statute. The pursuit of any right or remedy shall not be construed as an election.

Section 4.06. Waiver of Appraisal Rights; Marshaling of Assets Not Required:

The Mortgagor, for itself and all who may claim through or under it, covenants that it will not at any time insist upon or plead, or in any manner whatever claim, or take the benefit or advantage of, any appraisal, valuation, stay, extension or redemption laws now or hereafter in force in any locality where any of the Mortgaged Property may be situated, in order to prevent, delay or hinder the enforcement or foreclosure of this Mortgage, or the absolute sale of the Mortgaged Property, or any part thereof, or the final and absolute putting into possession thereof, immediately after such sale, of the purchaser or purchasers thereat, and the Mortgagor, for itself and all who may claim through or under it, hereby waives the benefit of all such laws unless such waiver shall be forbidden by law. Under no circumstances shall there be any marshaling of assets upon any foreclosure or to other enforcement of this Mortgage.

Section 4.07. Notice of Default:

The Mortgagor covenants that it will give immediate written notice to each Mortgagee of the occurrence of any Event of Default or in the event that any right or remedy described in Sections 4.02 and 4.03 hereof is exercised or enforced or any action is taken to exercise or enforce any such right or remedy.

ARTICLE V**POSSESSION UNTIL DEFAULT-DEFEASANCE CLAUSE****Section 5.01. Possession Until Default:**

Until some one or more of the Events of Default shall have happened, the Mortgagor shall be suffered and permitted to retain actual possession of the Mortgaged Property, and to manage, operate and use the same and any part thereof, with the rights and franchises appertaining thereto, and to collect, receive, take, use and enjoy the rents, revenues, issues, earnings, income, proceeds, products and profits thereof or therefrom, subject to the provisions of this Mortgage.

Section 5.02. Defeasance:

If the Mortgagor shall pay or cause to be paid the whole amount of the principal of (and premium, if any) and interest on the Notes at the times and in the manner therein provided, and shall also pay or cause to be paid all other sums payable by the Mortgagor hereunder or under any Loan Agreement and shall keep and perform, all covenants herein required to be kept and performed by it, then and in that case, all property, rights and interest hereby conveyed or assigned or pledged shall revert to the Mortgagor and the estate, right, title and interest of the Mortgagee so paid shall thereupon cease, determine and become void and such Mortgagee, in such case, on written demand of the Mortgagor but at the Mortgagor's cost and expense, shall enter satisfaction of the Mortgage upon the record. In any event, each Mortgagee, upon payment in full to such Mortgagee by the Mortgagor of all principal of (and premium, if any) and interest on any Note held by such Mortgagee and the payment and discharge by the Mortgagor of all charges due to such Mortgagee hereunder or under any Loan Agreement, shall execute and deliver to the Mortgagor such instrument of satisfaction, discharge or release as shall be required by law in the circumstances.

Section 5.03. Special Defeasance:

Other than any Notes excluded by the foregoing Sections 5.01 and 5.02 and Notes which have become due and payable, the Mortgagor may cause the Lien of this Mortgage to be defeased with respect to any Note for which it has deposited or caused to be deposited in trust solely for the purpose an amount sufficient to pay and discharge the entire indebtedness on such Note for principal (and premium, if any) and interest to the date of maturity thereof; PROVIDED, HOWEVER, that depository serving as trustee for such trust must first be accepted as such by the Mortgagee whose Notes are being defeased under this section. In such event, such a Note will no longer be considered to be an Outstanding Note for purposes of this Mortgage and the Mortgagee shall execute and deliver to the Mortgagor such instrument of satisfaction, discharge or release as shall be required by law in the circumstance.

ARTICLE VI
MISCELLANEOUS

Section 6.01. Property Deemed Real Property:

It is hereby declared to be the intention of the Mortgagor that any electric generating plant or plants and facilities and all electric transmission and distribution lines, or other Electric System or Utility System facilities, embraced in the Mortgaged Property, including (without limitation) all rights of way and easements granted or given to the Mortgagor or obtained by it to use real property in connection with the construction, operation or maintenance of such plant, lines, facilities or systems, and all other property physically attached to any of the foregoing, shall be deemed to be real property.

Section 6.02. Mortgage to Bind and Benefit Successors and Assigns:

All of the covenants, stipulations, promises, undertakings and agreements herein contained by or on behalf of the Mortgagor shall bind its successors and assigns, whether so specified or not, and all titles, rights and remedies hereby granted to or conferred upon the Mortgagees shall pass to and inure to the benefit of the successors and assigns of the Mortgagees and shall be deemed to be granted or conferred for the ratable benefit and security of all who shall from time to time be a Mortgagee. The Mortgagor hereby agrees to execute such consents, acknowledgments and other instruments as may be reasonably requested by any Mortgagee in connection with the assignment, transfer, mortgage, hypothecation or pledge of the rights or interests of such Mortgagee hereunder or under the Notes or in and to any of the Mortgaged Property.

Section 6.03. Headings:

The descriptive headings of the various articles and sections of this Mortgage and also the table of contents were formulated and inserted for convenience only and shall not be deemed to affect the meaning or construction of any of the provisions hereof.

Section 6.04. Severability Cause:

In case any provision of this Mortgage or in the Notes or in the Loan Agreements shall be invalid or unenforceable, the validity, legality and enforceability of the remaining provisions thereof shall not in any way be affected or impaired, nor, nor shall any invalidity or unenforceability as to any Mortgagee hereunder affect or impair the rights hereunder of any other Mortgagee.

Section 6.05. Mortgage Deemed Security Agreement:

To the extent that any of the property described or referred to in this Mortgage is governed by the provisions of the UCC this Mortgage is hereby deemed a "security agreement" under the UCC, and, if so elected by any Mortgagee, a "financing statement" under the UCC for said security agreement. The mailing addresses of the Mortgagor as debtor, and the Mortgagees as secured parties are as set forth in Schedule "A" hereof. If any Mortgagee so directs the Mortgagor to do so, the Mortgagor shall file as a financing statement under the UCC for said security agreement and for the benefit of all of the Mortgagees, an instrument other than this Mortgage. In such case, the instrument to be filed shall be in a form customarily accepted by the filing office as a financing statement. PROCEEDS OF COLLATERAL ARE COVERED HEREBY.

Section 6.06. Indemnification by Mortgagor of Mortgagees:

The Mortgagor agrees to indemnify and save harmless each Mortgagee against any liability or damages which any of them may incur or sustain in the exercise and performance of their rightful powers and duties hereunder. For such reimbursement and indemnity, each Mortgagee shall be secured under this Mortgage in the same manner as the Notes and all such reimbursements for expense or damage shall be paid to the Mortgagee incurring or suffering the same with interest at the rate specified in Section 3.14 hereof. The Mortgagor's obligation to indemnify the Mortgagees under this section and under Section 3.04 shall survive the satisfaction of the Notes, the reconveyance or foreclosure of this Mortgage, the acceptance of a deed in lieu of foreclosure, or any transfer or abandonment of the Mortgaged Property.

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

NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION

by *Robert C. Wade* chairperson
President

(Seal)

Attest: *A. L. Rosenberger*
Secretary

Executed by the Mortgagor
in the presence of:

Janice M. Sprowles
[Signature]
Witnesses

UNITED STATES OF AMERICA

by *James E. Rupp*

Acting Director - Northern
Regional Division
of the
Rural Utilities Service

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

John R. Lohie
Bert J. Huntington
Witnesses

NATIONAL RURAL UTILITIES COOPERATIVE
FINANCE CORPORATION

by *By Russell*
Assistant Secretary-Treasurer

(SEAL)

Attest: *Leslie Ebert*
Assistant Secretary-Treasurer

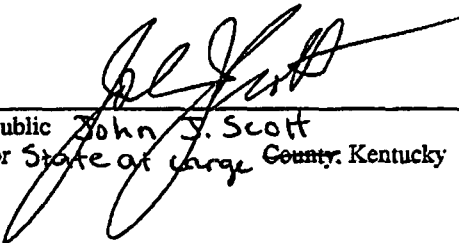
Executed by the above-named, Mortgagee, in the
presence of:

Katie McCall
Garlene Miller
Witnesses

COMMONWEALTH OF KENTUCKY)
) SS
COUNTY OF Hardin)

I, John J. Scott, a Notary Public in and for the County and
Commonwealth aforesaid, do hereby certify that Robert C. Wade, personally
known to me to be the ~~President~~ ^{Chair person} of Nolin Rural Electric Cooperative Corporation, a corporation of the
Commonwealth of Kentucky, and to me known to be the identical person whose name is as ~~President~~ ^{Chair person} of said
corporation, subscribed to the foregoing instrument, appeared before me this day in person and produced the
foregoing instrument to me in the County aforesaid and acknowledged that as such ~~President~~ ^{Chair person} he signed the
foregoing instrument pursuant to authority given by the board of directors of said corporation as his free and
voluntary act and deed and as the free and voluntary act and deed of said corporation for the uses and purposes
therein set forth and that the seal affixed to the foregoing instrument is the corporate seal of said corporation.

Given under my hand this 21 day of August, 1997



Notary Public John J. Scott
in and for State of large County, Kentucky

(Notarial Seal)

My Commission expires: 9-11-97

DISTRICT OF COLUMBIA) SS

On this 2nd day of May, 1997, personally appeared before me Acting
JAMES A. RUSPI, who, being duly sworn, did say that he is the Director -
Northern Regional Division 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.

William A. Frost
Notary Public

(Notarial Seal)

William A. Frost
Notary Public District of Columbia
My Commission Expires: April 14, 2001

My commission expires: _____

COMMONWEALTH OF VIRGINIA

)

COUNTY OF FAIRFAX

) SS

)

On this 8th day of May, 19 97, 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.

Ann A. Hill
Notary Public ANN A. HILL

(Notarial Seal)

My commission expires: My Commission Expires May 31, 1996

SCHEDULE A: Part One

1. The Maximum Debt Limit referred to in Section 1.01 is \$50,000,000.00
2. The state referred to in Section 1.04 is Kentucky.
3. The addresses of the parties referred to in Section 1.05 are as follows:

As to the Mortgagor:

Nolin Rural Electric Cooperative Corporation
612 East Dixie Avenue
Elizabethtown, Kentucky 42701-1094

As to the Mortgagees:

Rural Utilities Service
United States Department of Agriculture
Washington, DC 20250-1500

National Rural Utilities
Cooperative Finance Corporation
2201 Cooperative Way
Herndon, Virginia 20171-3025

4. 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	December 20, 1991
Supplement to Restated Mortgage and Security Agreement	July 13, 1995

5. 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 the Government ¹					
<u>Loan</u> <u>Designation</u>		<u>Face Amount</u>	<u>Date</u>	<u>Final</u> <u>Maturity</u>	<u>% Rate</u> ²
M	\$	712,000.00	8 Oct 1959	9 Oct 1997	2.00
N		857,000.00	15 Mar 1963	16 Mar 2001	2.00
P		418,000.00	7 Nov 1967	7 Nov 2002	2.00
S2		541,000.00	9 Mar 1972	9 Mar 2007	2.00
U2		372,000.00	18 Jan 1973	18 Jan 2008	2.00
V6		316,000.00	16 Apr 1974	16 Apr 2009	5.00
W6		314,000.00	17 Jan 1975	17 Jan 2010	5.00
X6		876,000.00	24 Feb 1976	24 Feb 2011	5.00
Y6		876,000.00	1 Mar 1977	1 Mar 2012	5.00
Z6		2,146,000.00	27 Mar 1978	27 Mar 2013	5.00
AA6		2,049,000.00	5 Nov 1980	5 Nov 2015	5.00
AB6		1,153,000.00	9 Jun 1983	9 Jun 2018	5.00
AD8		2,000,000.00	20 Dec 1991	31 Dec 2025	V
AC6		2,360,000.00	10 Sep 1992	10 Sep 2027	5.00
AE61		3,480,000.00	13 Jul 1995	13 Jul 2030	V
AF61		4,613,000.00	1 May 1997	1 May 2032	V

¹"Government" as used in this listing refers to the United States of America acting through the Administrator of the Rural Utilities Service (RUS) or its predecessor agency, the Rural Electrification Administration (REA). Any Notes which are payable to a third party and which either RUS or REA has guaranteed as to payment are also described in this listing as being issued to the Government. Such guaranteed Notes are typically issued to the Federal Financing Bank, an instrumentality of the United States Treasury, and held by RUS.

²V=variable interest rate calculated by RUS pursuant to title 7 of the Code of Federal Regulations or by the United States Treasury, Federal Financing Bank.

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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>
KY 51 C-9001	\$135,000.00	3-9-72	3-9-07
KY 51 C-9004	\$159,000.00	1-18-73	4-18-08
KY 51 C-9005	\$135,000.00	4-16-74	4-16-09
KY 51 C-9008	\$135,000.00	1-17-75	1-17-10
KY 51 C-9010	\$375,000.00	2-24-76	2-24-11
KY 51 C-9012	\$375,000.00	3-1-76	3-1-12
KY 51 C-9014	\$920,000.00	3-27-78	3-27-13
KY 51 C-9019	\$924,000.00	11-5-80	11-5-15
KY 51 C-9022	\$520,000.00	6-9-83 substituted by 8-6-87	6-9-18
KY 51 C-9023	\$1,031,633.00	9-10-92	9-10-27
KY 51 C-9024	\$1,492,000.00	7-13-95	7-13-30
KY 51 C-9025	\$1,977,000.00	5-1-97	5-1-32

Schedule B

Property Schedule

The fee and leasehold interests in real property referred to in Subclause A of Granting Clause First are described on the attached pages designated 1 through 2 of this Schedule B.

The recording jurisdictions referred to in Subclause B of Granting Clause First are: the Counties of Breckinridge, Grayson, Green, Hardin, Hart, LaRue, Meade and Taylor in the Commonwealth of Kentucky.

The contracts referred to in Subclause C of Granting Clause First include without limitation the Wholesale Power Contract, dated as of October 1, 1964, between the Mortgagor and East Kentucky Power Cooperative, Inc.

1. A certain tract of land was deeded on March 10, 1948 to Nolin Rural Electric Cooperative Corporation by Stokley Bowling and Jessie Bowling, his wife, and was recorded on April 16, 1948 in the office of the Clerk of the County Court of Hardin in the state of Kentucky in Deed Book number 124, on page 520.
2. A certain tract of land was deeded on March 10, 1948 to Nolin Rural Electric Cooperative Corporation by P. B. Milburn and Godsy Milburn, his wife, and was recorded on April 16, 1948 in the office of the clerk of the County Court of Hardin in the state of Kentucky in Deed Book number 124, on page 517.
3. A certain tract of land was deeded on March 10, 1948 to Nolin Rural Electric Cooperative Corporation by P. B. Milburn, Godsy Milburn, his wife, Stokley Bowling and Jessie Bowling, his wife, and was recorded on April 16, 1948, in the office of the Clerk of the County Court of Hardin in the state of Kentucky in Deed Book number 124, on page 518.
4. A certain tract of land was deeded on December 18, 1954 to Nolin Rural Electric Cooperative Corporation by Ree Miller and Ben Miller, her husband, and was recorded on December 20, 1954 in the office of the Clerk of the County Court of Hardin in the state of Kentucky in Deed Book number 145, on page 230.
5. A certain tract of land was deeded on February 26, 1970 to Nolin Rural Electric Cooperative Corporation by Wayne G. Overall, Jr., and Nancy J. Overall, his wife and was recorded on March 4, 1970 in the office of the Clerk of the County Court of Hardin in the state of Kentucky in Deed Book number 224, on pages 1 and 2.

6. A certain tract of land was deeded on September 26, 1979 to Nolin Rural Electric Cooperative Corporation by Howard Pierce and Lorene Pierce, his wife, and was recorded on October 1, 1979, in the office of the Clerk of the County Court of Hardin in the state of Kentucky in Deed Book 382 on pages 152 and 153.
7. A certain tract of land was deeded on January 11, 1993 to Nolin Rural Electric Cooperative Corporation by Teri Foster Adams and Theresa Marie Adams, his wife, and was recorded on January 11, 1993, in the office of the Clerk of the County Court of Hardin in the state of Kentucky in Deed Book 751 on pages 709-712.
8. A certain tract of land was deeded on April 8, 1993 to Nolin Rural Electric Cooperative Corporation by Elizabethtown Industrial Foundation, Inc., a Kentucky-Non-Profit Corporation, and was recorded on April 8, 1993, in the office of the Clerk of the County Court of Hardin in the state of Kentucky in Deed Book 757 on pages 521-523.

**Schedule C
Excepted Property**

None.

Exhibit A

Manager's Certificate

MANAGER'S CERTIFICATE REQUIRED UNDER MORTGAGE SECTION 2.01 FOR ADDITIONAL NOTES

On behalf of _____ (the "Borrower"),
(Name of Borrower)

I _____ hereby certify as follows:

1. I am the Manager of the Borrower and have been duly authorized to deliver this certificate in connection with the Additional Note or Notes to be issued on or about _____ pursuant to Section 2.01 of the Mortgage
(Date Note or Notes are to be Signed)
dated _____
2. No Event of Default has occurred and is continuing under the Mortgage, 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.
3. The Additional Notes described in paragraph 1 are for the purpose of funding Property Additions being constructed, acquired, procured or replaced that are or will become part of the Borrower's Utility System.
4. The Property Additions referred to in paragraph 3 are Eligible Property Additions, i.e. Property Additions acquired or whose construction was completed not more than 5 years prior to the issuance of additional Notes and Property Additions acquired or whose construction is started and/or completed not more than 4 years after issuance of the additional Notes, but shall exclude any Property Additions financed by any other debt secured under the Mortgage at the time additional Notes are issued
5. I have reviewed the certificate of the Independent certified public accountant also being delivered to each of the Mortgagees pursuant to Section 2.01 in connection with the aforesaid Additional Note or Notes and concur with the conclusions expressed therein.
6. Capitalized terms that are used in this certificate but are not defined herein have the meanings defined in the Mortgage.

Signed Date

Name

Title

Name and Address of Borrower:

Exhibit B

Form of Supplemental Mortgage

Supplemental Mortgage and Security Agreement, dated as of _____, (hereinafter sometimes called this "Supplemental Mortgage") is made by and among _____ (hereinafter called the "Mortgagor"), a corporation existing under the laws of the State of _____, and the UNITED STATES OF AMERICA acting by and through the Administrator of the Rural Utilities Service (hereinafter called the "Government"), _____ (Supplemental Lender) (hereinafter called _____), a _____ existing under the laws of _____, and intended to confer rights and benefits on both the Government and _____ and _____ in accordance with this Supplemental Mortgage and the Original Mortgage (hereinafter defined) (the Government and the Supplemental Lenders being hereinafter sometimes collectively referred to as the "Mortgagees").

Recitals

Whereas, the Mortgagor, the Government and _____ 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 between the Mortgagor, the Government acting by and through the Administrator of the Rural Utilities Service (hereinafter called "RUS"), and _____; 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, and to add _____ as a Mortgagee and secured party hereunder and under the Existing Mortgage (the Supplemental Mortgage and the Existing Mortgage, hereinafter sometimes collectively referred to the "Mortgage"); and

Whereas, all of the Mortgagor's Outstanding Notes listed in Schedule "A" hereto is 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 do hereby add _____ as a Mortgagee and a secured party 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 related 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 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 on Schedule "C" hereof 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 to 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, _____ as Mortgagor.

[ACKNOWLEDGMENTS]

Supplemental Mortgage Schedule B

Property Schedule

The fee and leasehold interests in real property referred to in clause A of the granting clause are more particularly described as follows:

REC'D. ST. ... 101.00
PROPERTY TAX
LODGED AND RECORDED
OCT 23 8 44 AM '97
DAVID L. LOGSDON
HARDIN COUNTY CLERK
BY *M. Shroyer* D.C.

STATE OF KENTUCKY
COUNTY OF HARDIN, SCT.
DAVID L. LOGSDON, CLERK OF SAID
COUNTY COURT, HEREBY CERTIFY
THAT THE FOREGOING INSTRUMENT
HAS BEEN DULY RECORDED IN
BOOK 799 PAGE 319 IN MY
SAID OFFICE.
DAVID L. LOGSDON, CLERK
BY *Anna Drange* D.C.