

CASE

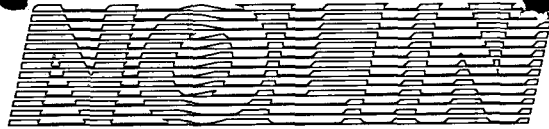
NUMBER:

99 - 259


HISTORY INDEX FOR CASE: 1999-259
NOLIN R.E.C.C.
Financing
AMOUNT OF \$4,300,000

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 OBTAIN A LOAN IN THE AMOUNT
OF \$4,300,000.00 FROM THE NATIONAL RURAL UTILITIES
COOPERATIVE FINANCE CORPORATION

SEQ NBR	ENTRY DATE	REMARKS
0001	06/14/1999	Application.
0002	06/22/1999	Acknowledgement letter.
0003	06/30/1999	Filing deficiencies letter, response due 7/15/99.
M0001	07/15/1999	JOHN SCOTT NOLIN RECC-RESPONSE TO REQUEST FOR ADDITIONAL INFORMATION
0004	07/20/1999	Deficiencies cured letter
0005	07/29/1999	Data Request Order, response due 8/12/99.
0006	08/13/1999	Order granting motion for extension of time; info now due 8/27
M0002	08/30/1999	O.V. SPARKS NOLIN RECC-RESPONSE TO ORDER OF JULY 29,99
0007	09/07/1999	Order entered; extends 60 days financing
0008	11/01/1999	FINAL ORDER AUTHORIZING FINANCING
M0003	11/12/1999	MICHAEL MILLER NOLIN RECC-REQUEST FOR MEETING WITH COMMISSION STAFF AT 10:00 AM ON DEC 2,99



Rural Electric Cooperative Corporation

A Touchstone Energy™ Partner 

November 10, 1999

RECEIVED
NOV 12 1999
PUBLIC SERVICE
COMMISSION

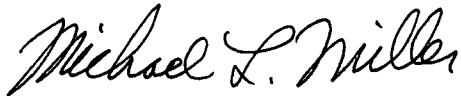
MS HELEN C HELTON
EXECUTIVE DIRECTOR
KENTUCKY PUBLIC SERVICE COMMISSION
PO BOX 615
FRANKFORT KY 40602

Dear Ms. Helton:

Nolin RECC would like to request a meeting with Commission staff at 10:00 a.m. on December 2, 1999, to discuss Order 99-259 and 1999 capital credit disposition not affected by that order. We would also like to discuss alternatives for relief from the 1995 settlement agreement as well as other related items.

Please let us know if this date and time is satisfactory with the Commission staff schedule.

Sincerely,



Michael L. Miller
President & CEO

MLM/cgt

cc: Aaron Greenwell
John J. Scott



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. 99-259
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 1, 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 at Law
Whitlow & Scott
108 East Poplar Street
P. O. Box 389
Elizabethtown, KY. 42702 0389

Stephanie J. 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) CASE NO. 99-259
TO OBTAIN A LOAN IN THE AMOUNT OF)
\$4,300,000.00 FROM THE NATIONAL RURAL)
UTILITIES COOPERATIVE FINANCE)
CORPORATION)

O R D E R

On July 15, 1999, Nolin Rural Electric Cooperative Corporation ("Nolin") filed an application seeking authority to borrow \$4,300,000 from the National Rural Utilities Cooperative Finance Corporation ("CFC"). Nolin intends to use the proceeds of this loan to finance the payment of capital credits to its members pursuant to the Settlement Agreement approved and adopted by the Commission's August 7, 1995 Order in Case No. 94-402.¹ The amounts of capital credits to be retired are associated with cooperative earnings from calendar years 1995, 1996, 1997, and 1998.

The proposed CFC loan will be a 7-year loan with a 15-year amortization. When the loan matures at the end of the 7 years, it can be reamortized for another 8 years. This approach would reduce the cash flow requirements for Nolin, while keeping it within CFC's policy for unsecured loans. CFC indicated to Nolin that structuring the loan in this manner would also eliminate the need for it to pay Loan

¹ Case No. 94-402, Application of Nolin Rural Electric Cooperative Corporation Concerning Existing Rates.

Capital Term Certificates, which are often required in conjunction with CFC financing.² Nolin has indicated that it has chosen CFC's variable interest rate program for this loan.

In Case No. 97-502,³ Nolin sought permission from the Commission to calculate its required 1996 capital credit retirements by offsetting calendar year 1995 earnings with calendar year 1994 losses. Nolin also sought permission to defer any capital credit retirements to be paid in calendar year 1997 until its Board of Directors and management determined that it was fiscally responsible to pay those capital credits. During the course of that proceeding, Nolin withdrew its request relating to the calculation of the required capital credit retirement to be paid in 1997. However, since a change had been sought in the calculation methodology, Nolin had not made the required retirements of capital credits to members based on earnings for calendar years 1995, 1996, 1997, and 1998.

In its October 20, 1998 Order in Case No. 97-502, the Commission denied Nolin's request to defer the retirement of capital credits under the terms of the Settlement Agreement. The Commission also ordered Nolin to prepare and file a plan for meeting its obligations to retire capital credits for calendar years 1995 through 1997. On December 18, 1998, Nolin filed its plan, which called for it to borrow funds from CFC to make capital credit retirements based on earnings for calendar years 1995, 1996, 1997, and the anticipated retirement based on 1998 earnings.

² Response to the Commission's July 29, 1999 Order, Item 1, Exhibit 1.

³ Case No. 97-502, The Application of Nolin Rural Electric Cooperative Corporation for a Deviation from the PSC Staff's Position that Nolin Cannot Offset Losses Against Margins in Determining a Payout of Capital Credits and the Deviation from the Settlement Agreement of October, 1990 in Case No. 90-064.

Nolin's proposal to use long-term financing to pay its capital credit retirements is unique since such financing is typically limited to capital asset acquisition. However, Nolin's financial situation is also unique. Because of historic business decisions made by its Board of Directors and management, by the time of Nolin's 1990 general rate case, it had achieved an equity to total capitalization ratio ("equity ratio") of 61.60 percent. The capital structure of electric cooperatives normally includes only 30 to 40 percent equity. In fact, Nolin's strong financial position had enabled it to fund capital construction work plans totally with internally generated funds and no long-term debt. Electric cooperatives, as not-for-profit entities, normally finance most if not all of their capital construction work plans with long-term debt.

As part of the settlement agreement in its 1990 general rate case, Nolin agreed that it needed to reduce its equity ratio to a more normal level and this was to be done by the systematic retirement of capital credits and the use of long-term financing for capital construction. Since 1990, Nolin's equity ratio has gradually decreased, and was below 50 percent by January 1998, as a result of both debt financing of capital construction and capital credit retirements.

Due to extended delays in receiving long-term debt financing from the Rural Utilities Service ("RUS"), Nolin and other electric cooperatives have had to rely on short-term debt until long-term debt is available. This reliance on short-term debt resulted in Nolin not being able to achieve a Current Ratio of 1.0,⁴ which is required by its RUS mortgage before capital credits may be paid. Consequently, Nolin was unable to make

⁴ The Current Ratio is the ratio of current assets to current liabilities. Nolin must have a 1.0 Current Ratio after the effects of a proposed capital credit retirement have been reflected in its financial statements in order to make the retirement.

the required capital credit retirements between 1996 and 1998. The prohibition on capital credit retirements, plus the position Nolin took when it originally filed Case No. 97-502, resulted in the outstanding capital credit retirement obligation exceeding the level of funds it had available, regardless of whether the Current Ratio requirement had been met or not. In the plan filed in response to the October 20, 1998 Order in Case No. 97-502, Nolin stated that it was obligated to pay \$4,088,096 in capital credits for years 1995 through 1997, and estimated an obligation of an additional \$1,200,000 for 1998.⁵

Based on the evidence of record and being sufficiently advised, the Commission finds that Nolin's capital structure is atypical due to its high equity ratio. Consequently, the traditional method of funding capital credit retirements with internally generated funds is unavailable. While Nolin's proposed solution is unusual, it is reasonable under the circumstances. The use of long-term debt to fund the outstanding obligation in effect continues the effort to bring Nolin's equity levels more into line with the norm for electric cooperatives. After the proposed borrowing and the capital credit retirement, Nolin's equity ratio will be approximately 35.6 percent.⁶ The replacement of equity with long-term debt is reasonable because under normal circumstances Nolin would have issued long-term debt during the construction of new capital assets. In this instance, the availability of internally generated funds reduced the need for long-term debt. The

⁵ Case No. 97-502, Response to Order of Commission of October 20, 1998, filed December 18, 1998., at 2.

⁶ Based on Exhibit 4 of Nolin's application, its March 1999 financial statements, the total estimated capital credit retirement of \$5,288,096, and the new financing of \$4,300,000.

issuance of debt at this time to refund capital credits to members can be considered as correcting the excessive accumulation of equity in prior years. Nolin has worked with CFC to develop a solution to a difficult situation. This solution also allows Nolin to be in compliance with the terms of its Settlement Agreement, which continued the systematic retirement of capital credits.

While the correction of the excessive equity ratio and the payment of capital credits under the Settlement Agreement are major steps in accomplishing the goals of equity management planning, Nolin should take steps to avoid reversing the effects of this positive action. The terms of the Settlement Agreement were established in consideration of the earnings as they related to Nolin's capital structure at that time. Now that the excessive equity situation has been corrected, Nolin should reevaluate the terms of the Settlement Agreement to determine their impact on earnings, cash flow, and capital ratios. If the provisions for the rotation of earnings in excess of a 1.5 Times Interest Earned Ratio create negative impacts on cash flow and the equity ratio, Nolin should seek to modify the plan to arrive at terms that will manage equity given the current financial condition. If these corrective actions are not taken, Nolin may be faced with insufficient funds, or an inadequate Current Ratio to retire capital credits in the future and may run the risk of accumulating additional capital credit retirement obligations which cannot be met with general funds. Nolin should not consider long-term financing of capital credit retirements on a routine basis and should not attempt to manage equity through this means in the future. The Commission will make its Staff available if Nolin desires assistance in evaluating the need to modify its Settlement Agreement.

In summary, the Commission finds that:

1. The loan from CFC in the amount of \$4,300,000 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 reasonable, necessary, and appropriate for such purposes.

2. Nolin is capable of executing its notes as security for the loan as stated herein.

3. Nolin should select the interest rate program which will result in the net lowest cost of money to it over the term of the financing. This should be done for the initial advance of the loan funds, and when the loan is reamortized.

4. Within 10 days of its selection of the interest rate program, Nolin should notify the Commission in writing of the interest rate program selected and of the reasons for its selection. This should be done for the initial advance of loan funds, and when the loan is reamortized.

5. The proceeds from the proposed loan should be used only for the lawful purposes set out in Nolin's application.

6. Nolin should include in its monthly financial report to the Commission the current interest rate on its outstanding variable rate loans.

7. Within 30 days of the completion of the capital credit retirements, Nolin should provide the Commission with a report showing the disposition of the loan funds. This report should indicate the total amount of capital credits paid to members for the calendar years 1995, 1996, 1997, and 1998. The report should also state whether Nolin

had to use sources other than the CFC loan to fund the retirements, identify those sources, and indicate the corresponding amounts of funding.

IT IS THEREFORE ORDERED that:

1. Nolin is authorized to borrow \$4,300,000 from CFC for a 15-year period and bearing a variable interest rate as chosen by Nolin at the time the monies are drawn from CFC, subject to the provisions and terms of the application with respect to renegotiation of the interest rate.
2. Nolin is authorized to execute its notes as security for the loan authorized herein.
3. Nolin shall comply with all matters set out in Findings 3 through 7 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 1st 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. 99-259

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

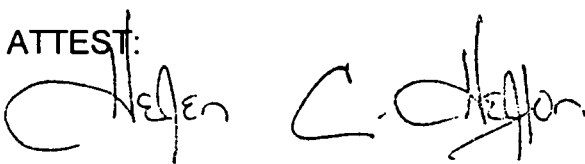
that good cause exists to continue the financing applications beyond the 60-day period specified in KRS 278.300(2).

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:

A handwritten signature in black ink, appearing to read "Stephen C. Chaffin". The signature is written in a cursive style with a horizontal line underneath the name.

Executive Director

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

RECORDED

AUG 1 1999

PUBLIC SERVICE
COMMISSION

August 4, 1999

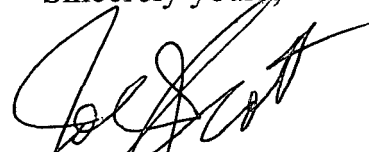
Ms. Stephanie Bell
Secretary of the Commission
Public Service Commission
730 Schenkel Lane
P.O. Box 615
Frankfort, Kentucky 40602-0615

Re: Case No. 99-259

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

IN THE MATTER OF:

APPLICATION OF THE NOLIN RURAL) CASE NO. 99-259
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 LOAN IN)
IN THE AMOUNT OF \$4,300,000.00 FROM)
THE NATIONAL RURAL UTILITIES)
COOPERATIVE FINANCE CORPORATION)

AUG 1 0 1999

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. 99-259

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

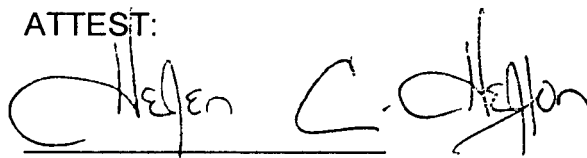
APPLICATION OF NOLIN RURAL ELECTRIC)
COOPERATIVE CORPORATION FOR AN ORDER)
PURSUANT TO KRS 278.300 AND 807 KAR 5:001,)
SECTION 11 AND RELATED SECTIONS AUTHORIZING) CASE NO.
THE COOPERATIVE TO OBTAIN A LOAN IN THE) 99-259
AMOUNT OF \$4,300,000.00 FROM THE NATIONAL)
RURAL UTILITIES COOPERATIVE FINANCE)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

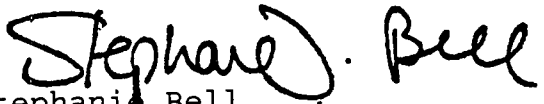
Michael L. Miller
General Manager
Nolin R.E.C.C.
411 Ring Road
Elizabethtown, KY. 42701 8701

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

RE: Case No. 99-259

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

Sincerely,


Stephanie Bell
Secretary of the Commission

SB/hv
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) CASE NO. 99-259
TO OBTAIN A LOAN IN THE AMOUNT OF)
\$4,300,000.00 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. Provide copies of the approval letter from the National Rural Utilities Cooperative Finance Corporation ("CFC") for the proposed financing.

2. Refer to Exhibit 5 of the application. Provide documentation of the date of the board of directors' approval for the proposed financing.

3. Explain in detail the amortization and repayment provisions of the proposed financing. Specifically discuss the provision dealing with the "seven year balloon payment for its maturity."

4. Provide copies of the unexecuted loan documents for the proposed financing.

5. Describe the analysis performed by Nolin that led it to conclude that the proposed financing was the most reasonable alternative. Include a discussion of other financing options considered.

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


7. Provide two copies of Nolin's "Restated Mortgage and Security Agreement" dated May 1, 1997. Also, explain why this document was not included with Nolin's application, instead of referencing the mortgages filed in Case No. 93-324.¹

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.

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 20, 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. 99-259
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 cursive script that reads "Stephanie Bell".

Stephanie Bell
Secretary of the Commission

SB/hv
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
June 11, 1999

FILED

JUL 15 1999

PUBLIC SERVICE
COMMISSION

LINCOLN SQUARE
HODGENVILLE, KENTUCKY 42748
502-358-4344

JAMES T. WHITLOW
JOHN J. SCOTT

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

RECEIVED
JUN 14 1999
PUBLIC SERVICE
COMMISSION

Re: Nolin R.E.C.C.

CASE 99-259

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 loan in the amount of \$4,300,000.00 from the National Rural Utilities Cooperative Finance Corporation.

Sincerely yours,


John J. Scott

JJS/rtd

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

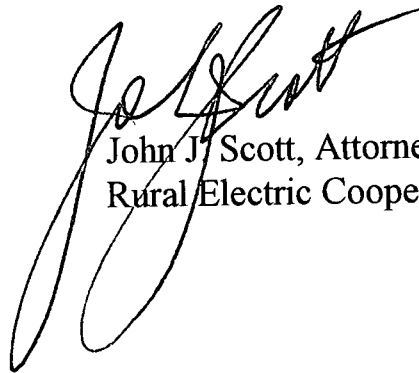
RECEIVED
PUBLIC SERVICE
COMMISSION
JUL 15 1999

Re: Case No. 99-259

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

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 LOAN IN)
IN THE AMOUNT OF \$4,300,000.00 FROM)
THE NATIONAL RURAL UTILITIES)
COOPERATIVE FINANCE CORPORATION)

CASE NO. 99-259

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 \$4,300,000.00 loan evidenced by a Promissory Note amortized over fifteen (15) years and with a seven (7) year balloon payment for its maturity.
2. The interest rate for this loan will be a variable rate as established from time to time by CFC and which currently has a rate of 6.135% per annum.
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

June 30, 1999

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

Re: Case No. 99-259
Filing Deficiencies

Dear Mr. Miller:

The Commission staff has reviewed your application in the above case. This filing is rejected pursuant to 807 KAR 5:001, Section 2, for the reasons set forth below. These items are either required to be filed with the application or to be referenced in the application 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):

If Bonds or Notes or Other Indebtedness is proposed: full description of all terms; interest rate(s); whether the debt 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 five copies of this information (unless otherwise noted) within 15 days of this letter. If you need further information, please contact Isaac Scott of my staff at 502-564-3940, extension 444.

Sincerely,

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

Stephanie Bell
Secretary of the Commission

hv

cc: Honorable John J. Scott





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. 99-259
NOLIN R.E.C.C.
(Financing) AMOUNT OF \$4,300,000

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. 99-259. 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 J. 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

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

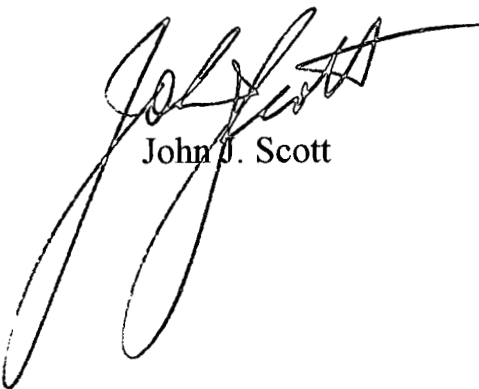
RECEIVED
JUN 14 1999
PUBLIC SERVICE
COMMISSION

Re: Nolin R.E.C.C. CASE 99-259

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 loan in the amount of \$4,300,000.00 from the National Rural Utilities Cooperative Finance Corporation.

Sincerely yours,



John J. Scott

JJS/rrd

Enclosure

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED
JUN 14 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 LOAN IN)
IN THE AMOUNT OF \$4,300,000.00 FROM)
THE NATIONAL RURAL UTILITIES)
COOPERATIVE FINANCE CORPORATION)

CASE NO. 99-259

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 this loan is as follows: To pay capital credits to the patrons of Nolin Rural Electric Cooperative Corporation as referred to in Case No. 97-502 before the Public Service Commission for those credits which were to be retired in calendar years 1995, 1996, 1997 and 1998.
 6. At this time, it is not anticipated that any property is to be acquired, constructed, improved or extended with the proceeds from this loan.
 7. At this time, it is not proposed to discharge or refund any obligations with the proceeds from this loan, except as stated in paragraph No. 5 above.
 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 Resolution approving this Line of Credit by Nolin's Board of Directors is attached as Exhibit #5.
 10. 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 #6 and #7.

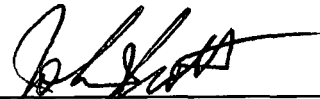
WHEREFORE, the Nolin Rural Electric Cooperative Corporation requests that the Public Service Commission of the Commonwealth of Kentucky issue an Order authorizing and granting unto Nolin Rural Electric Cooperative Corporation approval for a loan in the amount of \$4,300,000.00 from the National Rural 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

9-11-01

My commission expires _____

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		190,897		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
1B223	5.000%	Jun-83	576,500		108,821		467,679
1B230	5.000%	Sep-92	1,180,000		68,566		1,111,434
1B235	5.000%	Sep-92	1,180,000		68,566		1,111,434
1B240	3.750%	Jul-95	1,740,000		40,975		1,699,025
1B245	3.620%	Jul-95	1,740,000		35,388		1,704,612
1B250	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					3,766,456		13,660,358
				0	7,905,634	0	\$13,660,358

Less: Advance Payments Unapplied (Note #4990)

TOTAL OBLIGATION - REA

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	\$24,755,152
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	\$3,662,569
TOTAL COST OF ELECTRIC SERVICE	\$28,417,721
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	\$599,876

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

O. V. Sparks reported on the Administration and Finance Department.

Janice Spowles reported on the Office Services Department.

Rick Ryan reported on the Member Services Department.

John Scott reported on the legal work he performed on behalf of the Cooperative in the past month. He discussed compliance with PSC Order of August 20, 1995, and future rate case to do away with 1.5 TIER requirement for basis for paying capital credits. The options available and recommendations of management, EKP staff, and John Scott were reviewed and discussed.

Recommendation to withdraw previous motion of intent to file rate case as approved in special meeting November 16, 1995. Motion made by Gene Straney, motion carried.

Recommended to approve response to PSC order to borrow \$5 million from CFC, go to the PSC for approval of the loan and proceed to pay capital credits in accordance with PSC order dated August 20, 1995. Motion made by Becky Loyall, motion carried.

Recommendation to hire a firm to do a depreciation study and also approval to develop an equity management plan or financial forecast which would include a capitalization or equity management plan. Motion made by Lawrence Ireland, motion carried.

Recommend a time table be established for completion of the above tasks and a goal to be completed in August 99. Motion made by Buddy Rosenberger, motion carried.

Exhibit #5

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

G. Gutteridge

No. 1

Exhibit # 6

John Scott

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. Rosenbergs*
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

[Signature]
Governor
780

(Seal)

Attest

Katherine Bull

Assistant Secretary - Treasurer

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

Susan L. Lilly
Janice Chandler

Witnesses

UNITED STATES OF AMERICA

by

Thomas W. Johnson

Director, Northern Regional Division
of the

Rural Utilities Service

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

William A. Furt
Jacqueline R. Davis

Witnesses

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

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)
) SS
COUNTY OF FAIRFAX)

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.

Pauline 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. Kitchell
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 661 IN MY
SAID OFFICE
BY David L. Logsdon
DAVID L. LOGSDON, CLERK

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 33
DEED TAX
LOGSDON
2100-33100

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.

g gutteridge

Exhibit # 7

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 Mortgaged 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 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.

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 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 circumstances.

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 H. Ruygro*

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 L. Huntington
Witnesses

NATIONAL RURAL UTILITIES COOPERATIVE
FINANCE CORPORATION

by *By Russell*
Assistant Secretary-Treasurer

(SEAL)

Attest: *Jessie Ebert*
Assistant Secretary-Treasurer

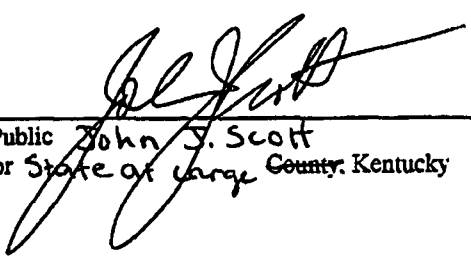
Executed by the above-named, Mortgagee, in the
presence of:

Katie McCall
Garlene Miller
Witnesses

COMMONWEALTH OF KENTUCKY)
) 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: _____

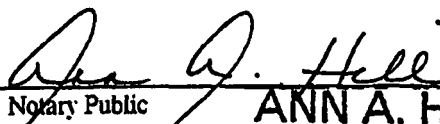
COMMONWEALTH OF VIRGINIA

)
) 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, 1998

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 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.

BOOK 799 PAGE 357

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 Godesy 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, Godesy 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 _____ 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. ...
PROPERTY TAX
RECORDED AND RECORDED
10/21/97

OCT 23 8 44 AM '97

DAVID L. LOOSDON
HARDIN COUNTY CLERK
BY *M. S. ...* D.C.

STATE OF KENTUCKY
COUNTY OF HARDIN, SCT.
I, DAVID L. LOOSDON, 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. LOOSDON, CLERK
BY *Anna Drangos* D.C.

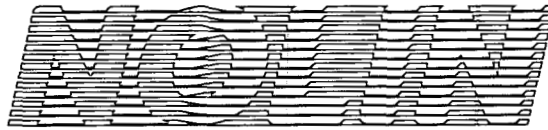
NOTICE

Rural Electric Cooperative Corporation
411 Ring Road
Elizabethtown, KY 42701-8701


COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

CASE NO. 99-259

ORIGINAL



Rural Electric Cooperative Corporation

A Touchstone Energy™ Partner 

August 27, 1999

HELEN HELTON
EXECUTIVE DIRECTOR
PSC
730 SCHENKEL LN
FRANKFORT KY 40602

RECEIVED

AUG 27 1999

PUBLIC SERVICE
COMMISSION

RE: CASE NO. 99-259

Dear Ms. Helton:

Enclosed are the original and eight copies of our responses in the above referenced case. 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 NOLIN RURAL)
ELECTRIC COOPERATIVE CORPORATION)
FOR AN ORDER PURSUANT TO KRS 278.300)
AND KAR 5:001, SECTION 11 AND RELATED)
SECTIONS AUTHORIZING THE COOPERATIVE) CASE NO. 99 - 259
TO OBTAIN A LOAN IN THE AMOUNT OF)
\$4,300,000.00 FROM THE NATIONAL RURAL)
UTILITIES COOPERATIVE FINANCE)
CORPORATION)

RESPONSES TO THE ORDER OF JULY 29, 1999

1. See attached letter from "CFC" marked Exhibit 1.
2. See attached excerpt of Board minutes marked Exhibit 2.
3. The attached letter from "CFC" addresses this. This was the only financing option considered due to the fact that there were no construction funds needed in relation to this loan. See Exhibit 1.
4. We will provide copies of the unexecuted loan documents when we receive them.
5. Nolin discussed this situation with the Commission Staff last fall in an informal conference, and the only logical method to retire the Patronage Capital was to borrow the money.
6. Nolin's current revenues are more than sufficient to cover the increased debt costs. Nolin's margins are almost \$400,000.00 ahead of the same period last year. Nolin is currently growing at a steady rate. Revenue is up over 5% in the last twelve months as well as kWh sales which is up over 3%.
7. See attached Exhibits 3 and 4. In an effort to save paper, Nolin sent only one copy of these voluminous documents with the original application, thinking the Commission would not need a copy with every application. These copies are with the original only.



NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION
Powerful Financial Solutions

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

August 24, 1999

Mr. O.V. Sparks
Administration & Finance Manager
Nolin Rural Electric Cooperative
411 Ring Road
Elizabethtown, KY 42701

Dear Mr. Sparks:

I wanted to follow up on our discussion with regard to financing the capital credit retirement mandated by the Kentucky Public Service Commission.

Because RUS will not lien accommodate a loan like this, we would need to keep it short term in nature. We would propose a 7 year loan with a 15 year amortization. When the loan matures at the end of 7 years, we would simply reamortize it for another 8 years. This would reduce the cashflow requirements for Nolin, while keeping it within CFC's policy for unsecured loans.

Structuring the loan this way would also eliminate the need to pay Loan Capital Term Certificates, therefore saving the cooperative that expense. Nolin could select either the variable rate for intermediate term loans or a fixed match funded rate at your option.

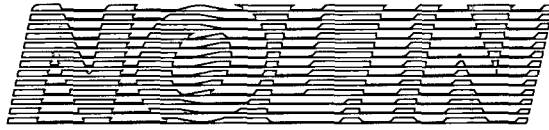
We appreciate the opportunity to assist you with this financing. If you have any questions, please feel free to contact me at 800-424-2954.

Sincerely,


Cynthia S. Giudici
Associate Vice President

cc: Gerald Freehling, CFC Regional Vice President

CG



Rural Electric Cooperative Corporation

A Touchstone EnergySM Partner 

EXCERPT FROM MINUTES

Recommended to approve response to PSC order to borrow \$5 million from CFC, go to the PSC for approval of the loan and proceed to pay capital credits in accordance with PSC order dated August 20, 1995. Motion made by Becky Loyall, motion carried.

I, Michael L. Miller, President and CEO of Nolin Rural Electric Cooperative Corporation, do hereby certify that the above is a true and correct excerpt from the minutes of the meeting of the Board of Directors of Nolin Rural Electric Cooperative Corporation held on the 10th day of December, 1998, at which meeting a quorum was present.

Michael L. Miller, President and CEO

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

BOOK 718 PAGE 661

11/94

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

Serial 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)

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

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

BOOK 718 PAGE 665 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.

BOOK 718 PAGE 667

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.

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

BOOK 718 PAGE 668

11/94

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

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

BOOK 718 PAGE 669

11/94

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

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

BOOK 718 PAGE 670

11/94

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

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

BOOK 718 PAGE 671

11/94

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. Rosenbergie*
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)

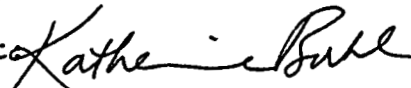
BOOK 718 PAGE 673

11/94

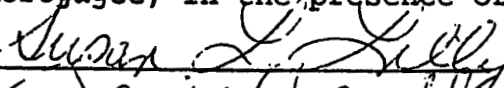
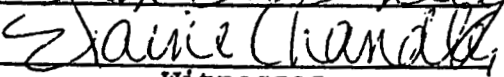
NATIONAL RURAL UTILITIES COOPERATIVE
FINANCE CORPORATION

by 
Governor
78


(Seal)

Attest 
Assistant Secretary - Treasurer

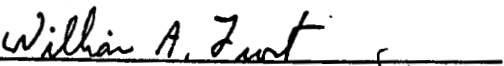
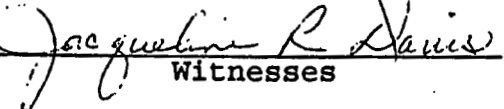
Executed by National Rural Utilities
Cooperative Finance Corporation,
Mortgagee, in the presence of:



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

BOOK 718 PAGE 674

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

I, *Janice M. Spowles*, 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. Spowles

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.

Julene M. Miller

Notary Public

(Notarial Seal)

My commission expires: *11/30/97*

BOOK 718 PAGE 675

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 661 IN MY
SAID OFFICE
BY DAVID L. LOGSDON, CLERK

EXAMINED BY:

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

DAVID L. LOGSDON
CLERK

JUL 13 4 00 PM '95

REC'D BY
DEED TAX
LODGED BY
218-33,00

BOOK 799 PAGE 319

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 GUTTERIDGE, AS ATTORNEY FOR UNITED STATES DEPARTMENT OF
AGRICULTURE, RURAL UTILITIES SERVICE, WASHINGTON, D.C. 20250-1500.

J. Gutteridge

No. 14

Generated: April 23, 1997

restmort.v1g 3 13 97 v2.2b

John Scott (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:

BOOK 799 PAGE 321

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:

BOOK 799 PAGE 322

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;

BOOK 799 PAGE 323

- 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

BOOK 799 PAGE 324

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

BOOK 799 PAGE 325

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.

BOOK 799 PAGE 326

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

BOOK 799 PAGE 327

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.

BOOK 799 PAGE 328

- (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;

BOOK 799 PAGE 329

- (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

BOOK 799 PAGE 330

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

BOOK 799 PAGE 332

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.

BOOK 799 PAGE 333

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.

BOOK 799 PAGE 334

- (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.

BOOK 799 PAGE 335

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,

BOOK 799 PAGE 336

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 further 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

BOOK 799 PAGE 337

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

BOOK 799 PAGE 338

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

BOOK 799 PAGE 339

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

BOOK 799 PAGE 340

- (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.

BOOK 799 PAGE 341

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

BOOK 799 PAGE 342

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.

BOOK 799 PAGE 344

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;

BOOK 799 PAGE 345

- (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

BOOK 799 PAGE 346

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 circumstances.

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

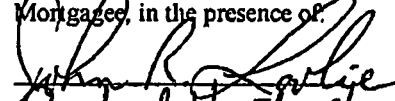

BOOK 799 PAGE 351

UNITED STATES OF AMERICA

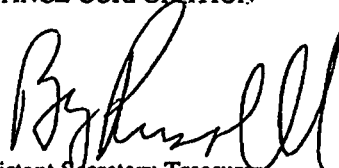
by 

Acting Director - Northern
Regional Division
of the
Rural Utilities Service

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



Witnesses


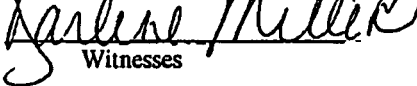
NATIONAL RURAL UTILITIES COOPERATIVE
FINANCE CORPORATION

by 
Assistant Secretary-Treasurer

(SEAL)

Attest: 
Assistant Secretary-Treasurer

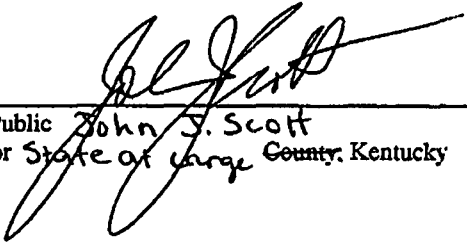
Executed by the above-named, Mortgagee, in the
presence of:



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 ^{Chair person} ~~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 ^{Chair person} ~~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 ^{Chair person} ~~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 21 day of August, 1997



Notary Public John J. Scott
in and for State of ~~large~~ ^{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: _____

BOOK 799 PAGE 354

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.

Ann A. Hill
Notary Public ANN A. HILL

(Notarial Seal)

My commission expires: My Commission Expires May 31, 1996

BOOK 799 PAGE 355

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

BOOK 799 PAGE 356

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 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.

OCT 09 '97 11:57AM CFC LEGAL DEPARTMENT

BOOK 799 PAGE 357

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

BOOK 799 PAGE 358

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.

BOOK 799 PAGE 359

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.

BOOK 799 PAGE 360

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.

BOOK 799 PAGE 361

**Schedule C
Excepted Property**

None.

BOOK 799 PAGE 362

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

BOOK 799 PAGE 363

Name and Address of Borrower:

BOOK 799 PAGE 364

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 "Mortgages").

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

BOOK 799 PAGE 365

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]

BOOK 799 PAGE 366

Supplemental Mortgage Schedule A

Maximum Debt Limit and Other Information

1. The Maximum Debt Limit is \$ _____.
2. The Original Mortgage as referred to in the first WHEREAS clause above is more particularly described as follows: _____.
3. The Outstanding Notes referred to in the fourth WHEREAS clause above are more particularly described as follows: _____.
4. The Additional Notes described in the sixth WHEREAS clause above are more particularly described as follows: _____.

BOOK 799 PAGE 367

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:

RECORDED
PROPERTY TAX
LODGED AND RECORDED
TAX
101.00
Oct 23 8 44 AM '97
DAVID L. LOGSDON
HARDIN COUNTY CLERK
BY *M. Shroyer* D.C.

STATE OF KENTUCKY
COUNTY OF HARDIN, SCT.
J. 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 *David L. Logsdon* D.C.