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108 EAST POPLAR STREET
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TELEPHONE 270-766-2179
FAX 270-766-2180

JAMES T. WHITLOW
JOHN J. SCOTT
BENJAMIN J. HUMPHRIES

March 31, 2008

LINCOLN SQUARE
HODGENVILLE, KENTUCKY 42748
270-368-4344

Ms. Stephanie Stumbo
Executive Director
Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, KY 40602-0615

RECEIVED

APR - 2 2008

PUBLIC SERVICE
COMMISSION

Re: Case No. 2008-00044

Dear Ms. Stumbo:

Please find enclosed an original and 11 copies of a Petition to protect the Responses to the First Data Requests of the Commission Staff in the above-referenced case. Although I have enclosed 11 copies of this Petition, I have not enclosed additional copies of the Responses to be kept confidential since we are asking that the entire document be kept confidential. Therefore, I would simply be filing 11 copies of blank pages if I complied with that request.

Sincerely yours,



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

JJS/rrd

Enclosures

**NOLIN RURAL ELECTRIC
COOPERATIVE CORPORATION**

PSC CASE NO 2008-00044

FIRST DATA REQUEST

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

In the Matter of:

**APPLICATION OF THE NOLIN) CASE NO. 2008-00044
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)
\$40,000,000.00 FROM THE NATIONAL)
RURAL UTILITIES COOPERATIVE)
FINANCE CORPORATION)**

**RECEIVED
APR - 2 2008
PUBLIC SERVICE
COMMISSION**

**PETITION TO PROTECT CERTAIN MATTERS AND TREAT
THEM AS CONFIDENTIAL IN THE RESPONSES OF NOLIN RECC
TO THE FIRST DATA REQUESTS OF THE COMMISSION STAFF
IN CASE NO. 2008-00044**

*** * * * ***

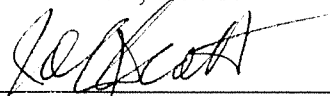
Pursuant to 807 KAR 5:001, Section 7, Nolin Rural Electric Cooperative Corporation petitions the Public Service Commission to give confidential treatment to the entirety of the Responses to the First Data Requests from the Public Service Commission Staff in this action. The responses contain information relative to a Contract between Nolin RECC

and the United States Army. The specific grounds for making this request pursuant to KRS 61.870 et. seq. are as follows:

1. Nolin Rural Electric Cooperative Corporation has been requested by the Public Service Commission to file Responses to its First Data Request, with those Requests and Nolin's Responses having to do with the Contract which Nolin RECC has with the United States Army at Fort Knox, Kentucky.
2. All of the Responses as attached in the binder from Nolin, if openly disclosed, would permit an unfair commercial advantage to competitors of Nolin RECC.
3. The entire set of Responses found in the red binder attached with the Responses being marked Items 1 through 7 will need to receive confidential treatment since they have to do with matters that were competitively bid and may be competitively bid again in the future and could be used by Nolin's competitors to its disadvantage.
4. Nolin has filed with this Petition only the original of the Responses requested, since the other 11 copies would simply be numerous sheets of completely blank paper duplicated 11 different times if filed.

WHEREFORE, Nolin RECC hereby requests that the Public Service Commission grant confidential treatment to the Responses to the First Data Request from the Commission which are attached hereto.

Respectfully submitted this 31st day of March, 2008.

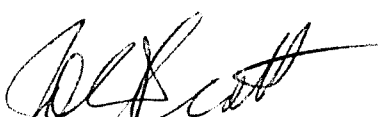


JOHN J. SCOTT (270) 765-2179
WHITLOW & SCOTT
108 E. POPLAR STR., P.O. BOX 389
ELIZABETHTOWN, KY. 42702-0389
ATTORNEY FOR NOLIN RURAL
ELECTRIC COOPERATIVE
CORPORATION
Fax #270-765-2180

CERTIFICATE

The foregoing Petition and attachment have been served on the Public Service Commission this 31st day of March, 2008 at:

Public Service Commission of Kentucky
211 Sower Boulevard
P.O. Box 615
Frankfort, KY 40602-0615



JOHN J. SCOTT (270) 765-2179
ATTORNEY FOR NOLIN RECC

PSC CASE NO. 2008-00044
First Data Request

CERTIFICATION

I, Michael L. Miller, the President and CEO of Nolin Rural Electric Cooperative Corporation, Having first been duly sworn, hereby certify that the responses given in the foregoing are true and accurate to the best of my knowledge, information and belief formed after a reasonable inquiry.

Michael L. Miller

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APR - 2 2008
PUBLIC SERVICE
COMMISSION

NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION

WITNESS LIST

CASE NO. 2008-00044

First Data Request

Question 1	Vince Heuser
Question 2	Vince Heuser
Question 3	Vince Heuser
Question 4	Vince Heuser Michael L. Miller
Question 5	Vince Heuser Michael L. Miller
Question 6	Vince Heuser Michael L. Miller
Question 7	Vince Heuser Michael L. Miller

1. (a) Yes, there has been one modification to the DSM Contract since May 16, 2002. This modification was implemented February 1, 2006.

- (b) The modification dated February 1, 2006 incorporated the Labor Standards Requirements as defined by the Federal Acquisition Regulation (FAR). The insertion to the contract is as follows:

4.1 Labor Standards Requirements.

(a) The labor standards requirements applicable to ECO Activities authorized under this Modification involving construction, alteration, or repair work in excess of \$2,000, as defined in Part 22 of the Federal Acquisition Regulation (FAR), are provided at Attachment B of this Modification.

(b) The labor standards requirements contained in Attachment B are effective for the 1st day of February, 2006. In November of each year, the Contracting Officer will update Attachment B of this Modification with any applicable changes to the labor standards requirements to be effective the following 1st day of February.

1. b. As stated the Contracting Officer updates Attachment B yearly. The following is a copy of Attachment B.

Modification 3 - DABT23-84-C-0089
Effective Date February 1 2008

**ATTACHMENT B
LABOR STANDARDS REQUIREMENTS**

1. The following Federal Acquisition Regulation (FAR) clauses are applicable to ECO Activities authorized under this Modification involving construction, alteration, or repair work in excess of \$2 000 as defined in FAR Part 22.

- (a) 52 252-2 CLAUSES INCORPORATED BY REFERENCE (FEB 1998)

This contract incorporates one or more clauses by reference, with the same force and effect as if they were given in full text. Upon request, the Contracting Officer will make their full text available. Also, the full text of a clause may be accessed electronically at these addresses:


<http://www.arnet.gov/far>
<http://farsite.hill.af.mil>


- | | | |
|-----|-----------|---|
| (b) | 52 222-6 | DAVIS-BACON ACT (JUL 2005) |
| (c) | 52.222-7 | WITHHOLDING OF FUNDS (FEB 1988) |
| (d) | 52.222-8 | PAYROLLS AND BASIC RECORDS (FEB 1988) |
| (e) | 52 222-9 | APPRENTICES AND TRAINEES (JUL 2005) |
| (f) | 52 222-10 | COMPLIANCE WITH COPELAND ACT REQUIREMENTS (FEB 1998) |
| (g) | 52 222-11 | SUBCONTRACTS (LABOR STANDARDS) (JUL 2005) |
| (h) | 52 222-12 | CONTRACT TERMINATION -- DEBARMENT (FEB 1988) |
| (i) | 52 222-13 | COMPLIANCE WITH DAVIS-BACON AND RELATED ACT REQUIREMENTS (FEB 1988) |
| (j) | 52 222-14 | DISPUTES CONCERNING LABOR STANDARDS (FEB 1988) |
| (k) | 52 222-15 | CERTIFICATION OF ELIGIBILITY (FEB 1988) |

2. The following Department of Labor general wage determinations are applicable to this Modification as designated in each authorized ECO Activity:

- (a) General Decision Number KY070007, dated 01/04/2008, Construction Type: Building (unless otherwise designated, this wage determination will apply to applicable ECO Activities authorized under this Modification)
- (b) General Decision Number KY070027, dated 01/04/2008, Construction Type: Heavy and Highway
- (c) General Decision Number KY070011, dated 07/20/2007, Construction Type: Residential

Acknowledged:


Vincent J Heuser
VP System Operations
Nolin RECC

 5 Feb 2008
Steven J Fries
Contracting Officer
Directorate of Contracting, Ft Knox

2. (a) The \$24,000,000 borrowed from CFC as authorized in Case No. 2005-00493 has had three disbursement request drawn. There was \$5,000,000 drawn on 4/18/07 and two additional disbursements of \$6,500,000 and \$3,500,000 on 6/22/07. The final \$9,000,000 was requisitioned on 3/20/08.

(b) The monthly balance of the authorized loan from April 2006 through January 2008 is as follows:

Loan Amount	Date	Interest Rate	Principal Paid	Interest Paid	Loan Balance	
\$ 5,000,000	4/18/2007	5/1/2007	7.05	\$ 12,554.75	\$ 5,000,000.00	
	5/1/2007	5/31/2007	7.05	\$ 29,938.40	\$ 5,000,000.00	
	6/1/2007	6/30/2007	7.05	\$ 29,616.44	\$ 5,000,000.00	
\$ 6,500,000	6/22/2007	6/30/2007	7.05	\$ 11,299.32	\$ 11,500,000.00	
\$ 3,500,000	6/22/2007	6/30/2007	7.05	\$ 6,084.09	\$ 15,000,000.00	
	7/1/2007	7/31/2007	7.05	\$ 89,493.23	\$ 15,000,000.00	
	8/1/2007	8/31/2007	7.05	\$ 90,232.93	\$ 14,909,767.07	
	9/1/2007	10/1/2007	7.05	\$ 86,394.95	\$ 14,909,767.07	
	10/1/2007	11/1/2007	6.80	\$ 86,109.02	\$ 14,909,767.07	
	11/1/2007	12/1/2007	6.55	\$ 272,292.88	\$ 80,267.65	\$ 14,637,474.19
	12/1/2007	1/1/2008	6.55		\$ 81,428.48	\$ 14,637,474.19

4 Description of CFC loan:

Facility Type	100% Term Loan
Amount	\$40,000,000 ¹
Purpose	To provide financing for Nolin's Contract with Fort Knox as discussed in 3(a) and (b) above.
Secured/Unsecured	The loan will be supported by an Intercreditor Agreement between CFC and RUS that generally provides for certain payment priorities with respect to the CFC military base loan in the event of an exercise of remedies upon an Event of Default (as such term is defined in the Mortgage).
Term	15 years with a 5 year draw period and maximum amortization term of 10 years. ²
Amortization	Level debt service or level principal
Principal Deferment	N/A
Interest Rates	Standard long-term fixed or variable rates shall apply. All current loan advances are priced at the CFC LTV rate as this matched the interest rate charged to the Government per the Contract ³ .
Prepayment Fees	Nolin will be allowed to prepay advances under facility, without penalty, at any time so long as the notes are priced at the CFC long-term variable rate. Advances priced at fixed rates will be subject to standard prepayment fees. This is consistent with loans KY051-A-9028 and A-9030.

¹ Loan amount rounded to \$40MM based on projected financing need of \$39,558,877.71.


² The 10-year amortization period matches the Government's payment obligations to Nolin.

³ Per the Contract: "Monthly Interest Payment, equal to unpaid [balance] times the current contract rate of interest, with said rate equal to 1.05 times the monthly interest rate for variable rate long-term economic and business development loans issued by the National Rural Utilities Cooperative Financing Corporation (CFC) to members of the CFC..."



**National Rural Utilities
Cooperative Finance Corporation**

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

A Touchstone Energy Cooperative 

November 16, 2007

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

Dear Mickey:

National Rural Utilities Cooperative Finance Corporation ("CFC") is pleased to offer Nolin RECC this commitment to provide an unsecured credit facility of up to Forty Million Dollars (\$40,000,000) for a term of 15 years to provide financing support for Nolin's Demand Side Management and Energy Efficiency Services Contract with Fort Knox. The loan documents will be sent to your cooperative under separate cover for execution.

CFC's loan commitment is dependent upon the execution of the CFC loan documents by your cooperative, as well as their receipt and acceptance by CFC; the receipt of all applicable regulatory and commission approvals; and the execution of an intercreditor agreement between RUS and CFC.

Once these items are received at CFC, we will notify you promptly regarding the status of your loan.

If you have any questions, please contact me at 1-800-424-2954 x6783. At CFC, we appreciate the opportunity to do business with you and look forward to serving your financial needs in the future.

Sincerely,


A handwritten signature in cursive script that reads "Amy S. Luongo". The signature is written in black ink and is positioned above the printed name and title.

Amy S. Luongo
Associate Vice President

cc: O.V. Sparks, Nolin, Vice President Administration
Bill Frost, RUS, Loan Specialist
Joseph Badin, RUS, Director, Northern Regional Division
Brian Jenkins, RUS, Northern Regional Division Branch Chief
Mike Norman, RUS, Field Representative



Rural Electric Cooperative Corporation

A Touchstone Energy® Cooperative 

PSC CASE NO. 2008-00044
First Data Request
Question # 5(b)

November 12, 2007

Joseph S. Badin, Director NRD
USDA - RDUP
1400 Independence Ave. SW
Washington, DC 20250

RE: Lien Subordination Request

In 1996 Nolin Rural Electric Cooperative Corporation ("Nolin RECC") executed an Agreement for Demand Side Management and Energy Efficiency Services (the "Contract") by and between Nolin RECC and the United States of America, represented by the Contracting Officer (the "Government").

Nolin RECC has made application for a loan from the National Rural Utilities Cooperative Finance Corporation ("CFC") in an amount not to exceed \$40,000,000 that will be evidenced by a Promissory Note payable to CFC. Proceeds will be used to finance Energy Conservation Opportunities (ECOs) at Fort Knox, a Department of Defense installation within Bullitt, Hardin, and Meade Counties, Kentucky (the "Installation"). In consideration of this loan, CFC will require that this loan be secured under that certain Restated Mortgage and Security Agreement by and among Nolin RECC, RUS, and CFC (the "Mortgage").

With this letter, Nolin RECC requests that RUS approve a subordination of its mortgage lien on all revenue to be received by Nolin RECC under the Contract in order to secure repayment of Nolin RECC's note to CFC in the amount of \$40,000,000, plus interest and any related fees, costs and expenses provided for in a loan agreement, to be executed by Nolin RECC. This approval would permit the CFC note to be secured under the Restated Mortgage and Security Agreement executed by and among RUS, CFC, and Nolin RECC and would provide CFC a first priority lien on and security interest in the revenues received by Nolin RECC from the Installation pursuant to the provisions of the Contract and any subsequent modifications or addendums thereto.

There is no transfer of Installation assets associated with this Contract. I have enclosed the supporting information that will be needed to process this request.

If there are any questions, please feel free to call me. Thank you for your assistance in this matter.

Sincerely,

Michael L. Miller
President & CEO

5(c) ***Status of request for Intercreditor Agreement:*** Nolin submitted its request to RUS for the Intercreditor Agreement on 12/07/07. Nolin is still awaiting RUS' decision. Management understands that RUS staff is processing the request and expects a favorable decision

INTERCREDITOR AGREEMENT

THIS INTERCREDITOR AGREEMENT ("Agreement") dated as of February 8, 2007, by and between the **UNITED STATES OF AMERICA**, acting by and through the Administrator of the Rural Utilities Service, an agency of the United States of America and successor to the Rural Electrification Administration (the "Government"), and the **NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION** ("CFC"),

WHEREAS, the Cooperative, identified in **Schedule 1** hereto and incorporated by reference herein and made a part of this Agreement, has duly authorized, executed and delivered to the Government certain secured promissory notes evidencing indebtedness created by loans made or guaranteed by the Government pursuant to the Rural Electrification Act of 1936, as amended (collectively referred to herein as the "RUS Notes"); and

WHEREAS, the Cooperative has duly authorized, executed and delivered to CFC certain secured promissory notes evidencing indebtedness created by loans made by CFC (collectively referred to herein as the "CFC Notes"); and

WHEREAS, the RUS Notes and the CFC Notes are secured by that certain mortgage and security agreement as it may have been, or shall be, supplemented, amended, restated, or consolidated from time to time (the "Common Mortgage"), identified in **Schedule 1** hereto; and

WHEREAS, the Government is the holder of the RUS Notes and CFC is the holder of the CFC Notes, and the Government and CFC are the mortgagees and secured parties under the Common Mortgage; and

WHEREAS, the Common Mortgage constitutes a first and paramount lien on the Cooperative's Mortgaged Property, as such term is defined in the Common Mortgage, and on property acquired after the date of the Common Mortgage; and

WHEREAS, CFC has agreed to make a loan to the Cooperative in the principal amount, identified in **Schedule 1** hereto (the "CFC Project Loan") in connection with the Cooperative's award of the DOD Contract for the Project, identified in **Schedule 1** hereto; and

WHEREAS, to evidence the CFC Project Loan, the Cooperative has agreed to duly authorize, execute and deliver to CFC a promissory note ("the CFC Project Note"), loan agreement and other documents, substantially in the form of **Exhibit A** attached hereto

WHEREAS, at the request of the Cooperative, CFC has agreed to make the CFC Project Loan to the Cooperative on condition that, in addition to the foregoing and among other conditions, the Government and CFC enter into and be bound by this Agreement

relating to the payment priority between the Government and CFC of the CFC Project Note; and

WHEREAS, the Government and CFC are authorized to enter into this Agreement, as more fully set forth herein;

NOW, THEREFORE, in consideration of their mutual understandings, the mutual covenants contained herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. **Recitals.** The foregoing recitals are incorporated by reference herein and made a part of this Agreement.
2. **CFC Project Note.** The Government and CFC, as mortgagees and secured parties under the Common Mortgage, in order to facilitate the CFC Project Loan, acknowledge and agree that the Cooperative will be obligated to pay the CFC Project Loan, notwithstanding any payments made to the Cooperative by the DOD.
3. **Priority Payment of Proceeds from Remedial Actions.** The Government and CFC, as mortgagees and secured parties under the Common Mortgage, in order to facilitate the CFC Project Loan, each understand and agree, in the event of an exercise of remedies upon an Event of Default, as such term is defined in the Common Mortgage, that between CFC and the Government, notwithstanding any other agreement, CFC shall receive priority payment for unpaid and outstanding principal on account of the CFC Project Loan, including any interest or penalties owed, after 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 and prior to any other payments being made to either CFC or to the Government for amounts owed on the CFC Notes or the RUS Notes. It is hereby expressly understood by CFC and the Government that this Agreement does not and is not intended to subordinate any interest of either CFC or the Government in any amounts paid to or owing to the Cooperative under the DOD Contract or otherwise owed to or due to the Cooperative from the DOD or from any other source that are pledged pursuant to the Common Mortgage for the equal and ratable security of all unpaid and outstanding notes secured under the Common Mortgage. Any proceeds or funds collected by the Government under the Common Mortgage for the account or benefit of, or which are distributable or attributable to CFC or any holder of a Note other than an RUS Note in no event shall be deemed to be moneys received for the use of the United States of America as contemplated by 31 United States Code Annotated § 484 or 31 United States Code Annotated § 495.
4. **No Assumption of Cooperative Obligations.** CFC recognizes and agrees that the Government does not assume any obligations or liabilities of the Cooperative to CFC or otherwise guarantee payment of the Cooperative's debt to CFC in the event that sufficient funds are not available to pay the CFC Project Note in full. Nothing in this

Agreement shall be deemed or construed to mean that the Government has in any way assumed the Cooperatives obligations to CFC under the CFC Project Loan or the CFC Project Note. Nothing herein shall be deemed or construed to establish or to grant to CFC any additional rights or exercise of any remedies under the Common Mortgage, nor shall anything contained herein be deemed to affect the rights and remedies of the Government or CFC under the Common Mortgage or any other right or order of payment.

5. **Modifications to CFC Project Loan and CFC Project Note.** CFC recognizes and agrees that so long as this Agreement is in effect, CFC shall not, without the prior written consent of RUS (a) increase the amount of the CFC Project Note, (b) extend the maturity date of the CFC Project Note, (c) adjust or modify the scheduled date of payment of the principal amount of the CFC Project Note, interest thereon, or any fees payable thereunder, or (d) compromise or otherwise agree to any debt restructuring affecting any payment under the CFC Project Note.
6. **Agreement Termination.** The Government and CFC each agree that the terms of this Agreement automatically terminate and be of no further force and effect upon the date of final maturity of the CFC Project Note or, if the CFC Project Note has not been paid in full, upon payment in full of amounts outstanding owed by the Cooperative on the CFC Project Note.
7. **CFC Setoff.** CFC agrees that it will exercise its rights of setoff, deduction or recoupment, with regards to the CFC Project Note, and apply any and all amounts under the equity term certificates purchased in connection solely with the CFC Project Loan for satisfaction of the CFC Project Note, provided, however, that if the Cooperative has financed the equity term certificates with CFC funds for the CFC Project Loan (an "Equity Loan") then CFC shall be permitted to exercise its rights of setoff, deduction or recoupment first against payment of the Equity Loan.
8. **Successors and Assigns.** The Government and CFC each agree that this Agreement shall inure to the benefit of and be binding upon the parties and their respective successors and assigns.
9. **Governing Law.** THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH APPLICABLE FEDERAL LAW AND, IN THE ABSENCE OF CONTROLLING FEDERAL LAW, BY THE LAWS OF THE STATE OF VIRGINIA, EXCEPT THOSE THAT WOULD RENDER SUCH CHOICE OF LAW INEFFECTIVE.
10. **Counterparts.** This Agreement may be executed in any number of counterparts, and all said counterparts executed and delivered, each as an original, shall constitute one and the same instrument.

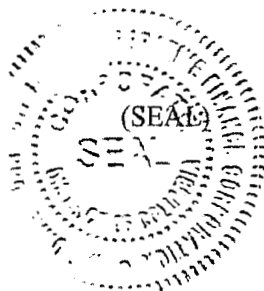
[EXECUTIONS ON FOLLOWING PAGE]

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

UNITED STATES OF AMERICA

By: *James A. Newtef*
Assistant Administrator
Title: Electric Program

**NATIONAL RURAL UTILITIES
COOPERATIVE FINANCE CORPORATION**

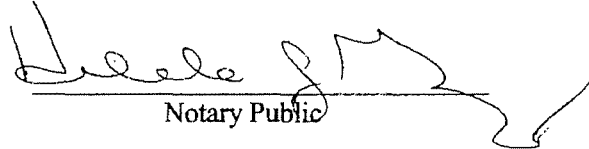


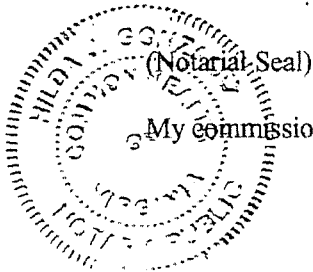
By: *Amy S. Luongo* **AMY S LUONGO**
Assistant Secretary-Treasurer

COMMONWEALTH OF VIRGINIA)
) SS
COUNTY OF FAIRFAX)

BEFORE ME, a Notary Public, in and for the Commonwealth of Virginia, appeared in person AMY S LUONGO, Assistant Secretary-Treasurer of the National Rural Utilities Cooperative Finance Corporation, to me personally known, and known to be the identical person who subscribed the name of said corporation to the foregoing instrument, being by me duly sworn, and who stated that she/he is duly authorized to execute the foregoing instrument on behalf of said corporation, and further stated and acknowledged that she/he executed the foregoing instrument as a free and voluntary act and deed of said corporation for the consideration therein mentioned and set forth.

IN TESTIMONY WHEREOF, I have hereunto set my hand and official seal this 8th day of February, 2007


Notary Public



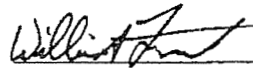
My commission expires:

Hilda J. Gonzalez
NOTARY PUBLIC
Commonwealth of Virginia
My Commission Expires 12/31/2008

DISTRICT OF COLUMBIA) SS

The foregoing instrument was acknowledged before me this 14th day of November
2006, by Jones R. Newsby, Asst. Admin. Elec. of
the Rural Utilities Service, acknowledging an agency of the United States of America, on
behalf of the Rural Utilities Service, United States of America.

(Notarial Seal)



Notary Public

William A. Frost
Notary Public, District of Columbia
My Commission Expires 04-14-2011

My commission expires: _____

INTERCREDITOR AGREEMENT SCHEDULE 1

Cooperative Name: Nolin Rural Electric Cooperative Corporation (Nolin)

Common Mortgage Date: April 1, 2004

CFC Project Loan:

<u>Loan Designation</u>	<u>Amount</u>
KY051-A-9030	\$24,000,000

Department of Defense Contract: Demand Side Management and Energy Efficiency Services Modification Agreements by and between Nolin and the United States of America, represented by the Contracting Officer of Fort Knox, a Department of Defense military Installation ("Fort Knox") dated April 1, 1984.

EXHIBIT A

FORM OF CFC LOAN DOCUMENTS

This Exhibit A of this Intercreditor Agreement consists of the following sample documents:

LOAN AGREEMENT

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

RECITALS

WHEREAS, the Borrower has applied to CFC for a loan for the purposes set forth in Schedule 1 hereto, and CFC is willing to make such a loan to the Borrower on the terms and conditions stated herein; and

WHEREAS, the Borrower has agreed to execute one or more promissory notes to evidence an indebtedness in the aggregate principal amount of the CFC Commitment (as hereinafter defined),

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

ARTICLE I

DEFINITIONS

Section 1.01 For purposes of this Agreement, the following capitalized terms shall have the following meanings (such definitions to be equally applicable to the singular and the plural form thereof).

"Accounting Requirements" shall mean any system of accounts prescribed by a federal regulatory authority having jurisdiction over the Borrower (including but not limited to that prescribed by the financial and statistical report required by RUS, commonly known as the "RUS Form 7"), or in the absence thereof, the requirements of GAAP applicable to businesses similar to that of the Borrower,

"Advance" shall mean each advance of funds by CFC to the Borrower pursuant to the terms and conditions of this Agreement.

"Amortization Basis Date" shall mean the first calendar day of the month following the end of the Billing Cycle in which the Advance occurs, provided, however, that if the Advance is made on the first day of a Billing Cycle, and such day is a Business Day, then the Amortization Basis Date shall be the date of the Advance.

"Average DSC Ratio" shall mean the average of the Borrower's two highest annual DSC Ratios during the most recent three calendar years.

"Billing Cycle" shall mean any 3-month period ending on, and including, a Payment Date.

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

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

"CFC Fixed Rate" shall mean such fixed rate as is then available for loans similarly classified pursuant to CFC's policies and procedures then in effect.

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

"CFC Variable Rate" shall mean the rate established by CFC for variable interest rate long-term loans similarly classified pursuant to the long-term loan programs established by CFC from time to time.

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

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

"Default Rate" shall mean a rate per annum equal to the interest rate in effect for an Advance plus three hundred basis points.

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

"Distributions" shall mean, with respect to the Borrower, any dividend, patronage refund, patronage capital retirement or cash distribution to its members, or consumers (including but not limited to any general cancellation or abatement of charges for electric energy or services furnished by the Borrower). The term "Distribution" shall *not* include (a) a distribution by the Borrower to the estate of a deceased patron, (b) repayment by the Borrower of a membership fee upon termination of a membership, or (c) any rebate to a patron resulting from a cost abatement received by the Borrower, such as a reduction of wholesale power cost previously incurred.

"Draw Period" shall have the meaning as described in Schedule 1 hereto.

"Environmental Laws" shall mean all laws, rules and regulations promulgated by any Governmental Authority, with which Borrower is required to comply, regarding the use, treatment,

discharge, storage, management, handling, manufacture, generation, processing, recycling, distribution, transport, release of or exposure to any Hazardous Material.

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

"Event of Default" shall have the meaning as described in Article VI hereof.

"GAAP" shall mean generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board.

"Governmental Authority" shall mean the government of the United States of America, any other nation or government, any state or other political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

"Hazardous Material" shall mean any (a) petroleum or petroleum products, radioactive materials, asbestos-containing materials, polychlorinated biphenyls, lead and radon gas, and (b) any other substance designated as hazardous or toxic or as a pollutant or contaminant under any Environmental Law.

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

"Loan" shall mean the loan made by CFC to the Borrower, pursuant to this Agreement and the Note, in an aggregate principal amount not to exceed the CFC Commitment.

"Loan Capital Term Certificate" or "LCTC" shall mean a certificate, or book entry form of account, evidencing the Borrower's purchase of equity in CFC.

"Loan Documents" shall mean this Agreement and the Note and all other documents or instruments executed, delivered or executed and delivered by the Borrower and evidencing or governing the Loan.

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

"Maturity Date" with respect to each Note shall have the meaning ascribed to it therein.

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

"Note" shall mean each promissory note, payable to the order of CFC, executed by the Borrower, dated as of even date herewith, pursuant to this Agreement as identified on Schedule 1 hereto.

"Obligations" shall mean any and all liabilities, obligations or indebtedness owing by the Borrower to CFC, of any kind or description, irrespective of whether for the payment of money, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising.

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

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

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

"Person" shall mean natural persons, cooperatives, corporations, limited liability companies, limited partnerships, general partnerships, limited liability partnerships, joint ventures, associations, companies, trusts or other organizations, irrespective of whether they are legal entities, and Governmental Authorities.

"Principal" shall mean the amount of principal billed on account of Long-Term Debt of the Borrower computed 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 three (3) years and covering property having an initial cost in excess of \$250,000 other than automobiles, trucks, trailers, other vehicles (including without limitation aircraft and ships), office, garage and warehouse space and office equipment (including without limitation computers).

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

"Subsidiary" as to any Person, shall mean a corporation, partnership, limited partnership, limited liability company or other entity of which shares of stock or other ownership interests having ordinary voting power (other than stock or such other ownership interests having such power only by reason of the happening of a contingency) to elect a majority of the board of directors or other managers of such entity are at the time owned, or the management of which is otherwise controlled, directly or indirectly through one or more intermediaries, or both, by such Person. Unless otherwise qualified, all references to a "Subsidiary" or to "Subsidiaries" in this Agreement shall refer to a Subsidiary or Subsidiaries of the Borrower.

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

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

ARTICLE II

REPRESENTATIONS AND WARRANTIES

Section 2.01 The Borrower represents and warrants to CFC that as of the date of this Agreement:

A. Good Standing. The Borrower is duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization, is duly qualified to do business and is in good standing in those states in which it is required to be qualified to conduct its business. The Borrower is a member in good standing of CFC.

B. Subsidiaries and Ownership. Schedule 1 hereto sets forth a complete and accurate list of the Subsidiaries of the Borrower showing the percentage of the Borrower's ownership of the outstanding stock, membership interests or partnership interests, as applicable, of each Subsidiary.

C. Authority; Validity. The Borrower has the power and authority to enter into this Agreement and the Note; to make the borrowing hereunder; to execute and deliver all documents and instruments required hereunder and to incur and perform the obligations provided for herein and in the Note, all of which have been duly authorized by all necessary and proper action; and no consent or approval of any Person, including, as applicable and without limitation, members of the Borrower, which has not been obtained is required as a condition to the validity or enforceability hereof or thereof.

Each of this Agreement and the Note is, and when fully executed and delivered will be, legal, valid and binding upon the Borrower and enforceable against the Borrower in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity.

D. No Conflicting Agreements. The execution and delivery of the Loan Documents and performance by the Borrower of the obligations thereunder, and the transactions contemplated hereby or thereby, will not: (i) violate any provision of law, any order, rule or regulation of any court or other agency of government, any award of any arbitrator, the articles of incorporation or by-laws of the Borrower, or any indenture, contract, agreement, mortgage, deed of trust or other instrument to which the Borrower is a party or by which it or any of its property is bound; or (ii) be in conflict with, result in a breach of or constitute (with due notice and/or lapse of time) a default under, any such award, indenture, contract, agreement, mortgage, deed of trust or other instrument.

The Borrower is not in default of any of its obligations to RUS or, in any material respect, under any agreement or instrument to which it is a party or by which it is bound and no event or condition exists which constitutes a default, or with the giving of notice or lapse of time, or both, would constitute a default under any such agreement or instrument.

E. Taxes. The Borrower, and each of its Subsidiaries, has filed or caused to be filed all federal, state and local tax returns which are required to be filed and has paid or caused to be paid all federal, state and local taxes, assessments, and governmental charges and levies thereon, including interest and penalties to the extent that such taxes, assessments, and governmental charges and levies have become due, except for such taxes, assessments, and governmental charges and levies which the Borrower or any Subsidiary is contesting in good faith by appropriate proceedings for which adequate reserves have been set aside.

F. Licenses and Permits. The Borrower has duly obtained and now holds all licenses, permits, certifications, approvals and the like necessary to own and operate its property and business that are required by Governmental Authorities and each remains valid and in full force and effect.

G. Litigation. There are no outstanding judgments, suits, claims, actions or proceedings pending or, to the knowledge of the Borrower, threatened against or affecting the Borrower, its Subsidiaries or any of their respective properties which, if adversely determined, either individually or collectively, would have a material adverse effect upon the business, operations, prospects, assets, liabilities or financial condition of the Borrower or its Subsidiaries. The Borrower and its Subsidiaries are not, to the Borrower's knowledge, in default or violation with respect to any judgment, order, writ, injunction, decree, rule or regulation of any Governmental Authority which would have a material adverse effect upon the business, operations, prospects, assets, liabilities or financial condition of the Borrower or its Subsidiaries.

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

I. Required Approvals. No license, consent or approval of any Governmental Authority is required to enable the Borrower to enter into this Agreement and the Note, or to perform any of its Obligations provided for in such documents, including without limitation (and if applicable), that of any state public utilities commission and any state public service commission, except as disclosed in Schedule 1 hereto, all of which the Borrower has obtained prior to the date hereof.

J. Compliance With Laws. The Borrower and each Subsidiary is in compliance, in all material respects, with all applicable requirements of law and all applicable rules and regulations of each Governmental Authority.

K. Disclosure. To the Borrower's knowledge, information and belief, neither this Agreement nor any document, certificate or financial statement furnished to CFC by or on behalf of the Borrower in connection herewith (all such documents, certificates and financial statements, taken as a whole) contains any untrue statement of a material fact or omits to state any material fact necessary in order to make the statements contained herein and therein not misleading.

L. Environmental Matters. Except as to matters which individually or in the aggregate would not have a material adverse effect upon the business or financial condition of the Borrower or its Subsidiaries, (i) Borrower is in compliance with all Environmental Laws (including, but not limited to, having any required permits and licenses), (ii) Borrower has not received written notice or claim of any violation of any Environmental Law, (iii) there is no pending investigation of Borrower in regard to any Environmental Law, and (iv) to the best of Borrower's knowledge, there has not been any release or contamination (other than releases or contamination remediated in compliance with Environmental Laws) resulting from the presence of Hazardous Materials on property owned, leased or operated by the Borrower.

ARTICLE III

LOAN

Section 3.01 Advances. The Borrower shall submit its request for an Advance to CFC in writing (which may be submitted by facsimile) no later than 12:00 noon local time at CFC's offices in Herndon, Virginia on the Business Day prior to the Business Day the Borrower seeks to have funds advanced.

At the end of the Draw Period, CFC shall have no further obligation to make Advances. The obligation of the Borrower to repay the Advances shall be evidenced by one or more Notes.

Section 3.02 Interest Rate and Payment. Notes shall be payable and bear interest as follows:

A. Payments; Maturity; Amortization.

(i) Each Note shall have a Maturity Date that is not more than fifteen (15) years from the date hereof, *provided, however*, that if such date is not a Payment Date, then the Maturity Date shall be the Payment Date immediately preceding such date.

(ii) Prior to or at the time of each Advance, the Borrower shall elect an amortization method for principal with respect to such Advance. If no election is made, then the Advance shall amortize over a period ending on the earlier of the date that is ten (10) years from the date of such Advance and the Maturity Date.

Each Advance shall amortize over a period not to exceed ten (10) years from the date of such Advance, *provided, however*, that such period shall not extend beyond the Maturity Date. For each Advance, the Borrower shall promptly pay interest in the amount shown in the Payment Notice on each Payment Date until the first Payment Date of the Billing Cycle in which the Amortization Basis Date occurs. On such Payment Date, and on each Payment Date thereafter, the Borrower shall promptly pay interest and principal in the amounts shown in the Payment Notice. If not sooner paid, any amount due on account of the unpaid principal, interest accrued thereon and fees, if any, shall be due and payable on the Maturity Date. The amortization method for each Advance shall be as stated on Schedule 1 or, if not so stated, then as stated on the written requisition for such Advance submitted by the Borrower to CFC pursuant to the terms hereof.

(iii) CFC will furnish to the Borrower a Payment Notice at least ten (10) days before each Payment Date, provided, however, that CFC's failure to send a Payment Notice shall not constitute

a waiver by CFC or be deemed to relieve the Borrower of its obligation to make payments as and when due as provided for herein.

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

B. Application of Payments. Each payment shall be applied to the Obligations, first to any fees, costs, expenses or charges other than interest or principal, second to interest accrued, and the balance to principal.

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

(i) CFC Fixed Rate. If the Borrower selects a CFC Fixed Rate for an Advance, then such rate shall be in effect for the CFC Fixed Rate Term selected by the Borrower. CFC shall provide the Borrower with at least sixty (60) days prior written or electronic notice of the date on which the CFC Fixed Rate is due to reprice. Pursuant to CFC's policies of general application for repricing, the Borrower may select any of the interest rate options then available for similarly classified borrowers repricing from a CFC Fixed Rate. If the Borrower does not select an interest rate in writing when a CFC Fixed Rate is subject to repricing, then the Advance subject to such CFC Fixed Rate shall reprice to, and shall bear interest at, the CFC Variable Rate. CFC agrees that its long-term loan policies will include a fixed interest rate option until the Maturity Date. For any Advance, the Borrower may not select a CFC Fixed Rate with a CFC Fixed Rate Term that extends beyond the Maturity Date. Interest on Advances bearing interest at a CFC Fixed Rate shall be computed for the actual number of days elapsed on the basis of a year of 365 days, until the first day of the Billing Cycle in which the Amortization Basis Date occurs; interest shall then be computed on the basis of a 30-day month and 360-day year.

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

Section 3.03 Conversion of Interest Rates.

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

B. CFC Fixed Rate to CFC Variable Rate. The Borrower may at any time convert a CFC Fixed Rate to the CFC Variable Rate by: (i) submitting a Conversion Request requesting that the CFC Variable Rate apply to any outstanding Advance; and (ii) paying to CFC promptly upon receipt of an invoice any applicable conversion fee calculated pursuant to CFC's long-term loan policies as established from time to time for similarly classified long-term loans. The effective date

of the CFC Variable Rate shall be a date determined by CFC pursuant to its policies of general application following receipt of the Conversion Request.

C. A CFC Fixed Rate to Another CFC Fixed Rate. The Borrower may at any time convert from a CFC Fixed Rate to another CFC Fixed Rate if the Borrower: (i) submits a Conversion Request requesting that a CFC Fixed Rate apply to any Advance and (ii) pays to CFC promptly upon receipt of an invoice any applicable conversion fee calculated pursuant to CFC's long-term loan policies as established from time to time for similarly classified long-term loans. The effective date of the new interest rate shall be a date determined by CFC pursuant to its policies of general application following receipt of the Conversion Request.

Section 3.04 Optional Prepayment. The Borrower may at any time, on not less than thirty (30) days prior written notice to CFC, prepay any Advance, in whole or in part, together with the interest accrued to the date of prepayment and any prepayment premium prescribed by CFC pursuant to its policies of general application in effect from time to time. No prepayment fees shall apply to Advances priced at the CFC long-term Variable Rate. Advances priced at CFC's Fixed Rate shall be subject to CFC's standard prepayment fees.

Section 3.05 Mandatory Prepayment. If there is a change in the Borrower's corporate structure (including without limitation by merger, consolidation, conversion or acquisition), then upon the effective date of such change, (a) the Borrower shall no longer have the ability to request, and CFC shall have no obligation to make, Advances hereunder and (b) the Borrower shall prepay the outstanding principal balance of all Obligations, together with any accrued but unpaid interest thereon, any unpaid costs or expenses provided for herein, and a prepayment premium prescribed by CFC pursuant to its policies of general application in effect from time to time. Notwithstanding the foregoing, Borrower shall retain the ability to request, and CFC shall retain the obligation to make, Advances hereunder and no prepayment shall be required under this Section 3.05 if, after giving effect to such change, Borrower, or its successor in interest, is engaged in the furnishing of electric utility services to its members and patrons for their use as ultimate consumers and is organized as a cooperative, nonprofit corporation, public utility district, municipality, or other public governmental body.

Section 3.06 Default Rate. If Borrower defaults on its obligation to make a payment due hereunder by the applicable Payment Date, and such default continues for thirty days thereafter, then beginning on the thirty-first day after the Payment Date and for so long as such default continues, Advances shall bear interest at the Default Rate.

ARTICLE IV**CONDITIONS OF LENDING**

Section 4.01 The obligation of CFC to make any Advance hereunder is subject to satisfaction of the following conditions in form and substance satisfactory to CFC:

A. Legal Matters. All legal matters incident to the consummation of the transactions hereby contemplated shall be satisfactory to counsel for CFC.

B. Documents. CFC shall have been furnished with (i) the executed Loan Documents, (ii) certified copies of all such organizational documents and proceedings of the Borrower authorizing the transactions hereby contemplated as CFC shall require, (iii) an opinion of counsel for the Borrower addressing such legal matters as CFC shall reasonably require, and (iv) all other such documents as CFC may reasonably request.

C. Government Approvals. The Borrower shall have furnished to CFC true and correct copies of all certificates, authorizations, consents, permits and licenses from Governmental Authorities necessary for the execution or delivery of the Loan Documents or performance by the Borrower of the obligations thereunder.

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

E. Requisitions. Advances shall be requested using a Funds Requisitions statement in the form attached hereto as Exhibit A. Advances shall be made only to finance costs incurred in connection with any work performed under task orders issued under the DSMA (as defined in Schedule 1).

F. Other Information. The Borrower shall have furnished such other information as CFC may reasonably require, including but not limited to (a) information regarding the specific purpose for an Advance and the use thereof, (b) feasibility studies, cash flow projections, financial analyses and pro forma financial statements sufficient to demonstrate to CFC's reasonable satisfaction that after giving effect to the Advance requested, the Borrower shall continue to achieve the DSC ratio set forth in Section 5.01.A. herein, to meet all of its debt service obligations, and otherwise to perform and to comply with all other covenants and conditions set forth in this Agreement, and (c) any other information as CFC may reasonably request. CFC's obligation to make any Advance hereunder is conditioned upon prior receipt and approval of the Borrower's written requisition and other information and documentation, if any, as CFC may have requested pursuant to this paragraph.

G. Special Conditions. CFC shall be fully satisfied that the Borrower has complied with all special conditions identified in Schedule 1 hereto.

ARTICLE V

COVENANTS

Section 5.01 Affirmative Covenants. The Borrower covenants and agrees with CFC that until payment in full of the Note and performance of all obligations of the Borrower hereunder:

A. Financial Ratios; Design of Rates. The Borrower shall achieve an Average DSC Ratio of not less than 1.35. The Borrower shall not decrease its rates for electric service if it has failed to achieve a DSC Ratio of 1.35 for the calendar year prior to such reduction subject only to an order from a Governmental Authority properly exercising jurisdiction over the Borrower.

B. Loan Proceeds. The Borrower shall use the proceeds of this Loan solely for the purposes identified on Schedule 1 hereto.

C. Notice. The Borrower shall promptly notify CFC in writing of:

- (i) any material adverse change in the business, operations, prospects, assets, liabilities or financial condition of the Borrower;
- (ii) the institution or threat of any litigation or administrative proceeding of any nature involving the Borrower which could materially affect the business, operations, prospects, assets, liabilities or financial condition of the Borrower;
- (iii) the occurrence of an Event of Default hereunder, or any event that, with the giving of notice or lapse of time, or both, would constitute an Event of Default.

D. Default Notices. Upon receipt of any notices with respect to a default by the Borrower under the terms of any evidence of any indebtedness with parties other than CFC or of any loan agreement, mortgage or other agreement relating thereto, the Borrower shall deliver copies of such notice to CFC.

E. Annual Certificates. Within one hundred twenty (120) days after the close of each calendar year, commencing with the year in which the initial Advance hereunder shall have been made, the Borrower will deliver to CFC a written statement, in form and substance satisfactory to CFC, signed by the Borrower's General Manager or Chief Executive Officer, stating that during such year, and that to the best of said person's knowledge, the Borrower has fulfilled all of its obligations under this Agreement and the Note throughout such year or, if there has been a default in the fulfillment of any such obligations, specifying each such default known to said person and the nature and status thereof.

F. Loan Capital Term Certificate Purchase. The Borrower will purchase LCTCs, if required, in an amount calculated pursuant to CFC's policies of general application and shall pay for such LCTCs as required thereby.

G. Financial Books; Financial Reports; Right of Inspection. The Borrower will at all times keep, and safely preserve, proper books, records and accounts in which full and true entries will be made of all of the dealings, business and affairs of the Borrower, in accordance with Accounting Requirements. When requested by CFC, the Borrower will prepare and furnish CFC from time to time, periodic financial and statistical reports on its condition and operations. All of such reports shall be in such form and include such information as may be specified by CFC. Within one hundred twenty (120) days of the end of each calendar year during the term hereof, the Borrower shall furnish to CFC a full and complete report of its financial condition and statement of its operations as of the end of such calendar year, in form and substance satisfactory to CFC. In addition, within one hundred twenty (120) days of the end of each the Borrower's fiscal years during the term hereof, the Borrower shall furnish to CFC a full and complete consolidated and consolidating report of its financial condition and statement of its operations as of the end of such fiscal year, audited and certified by independent certified public accountants nationally recognized or otherwise satisfactory to CFC and accompanied by a report of such audit in form and substance satisfactory to CFC, including without limitation a consolidated and consolidating balance sheet and the related consolidated and consolidating statements of income and cash flow. CFC, through its representatives, shall at all times during reasonable business hours and upon prior notice have access to, and the right to inspect and make copies of, any or all books, records and accounts, and any or all invoices, contracts, leases, payrolls, canceled checks, statements and other documents and papers of every kind belonging to or in the possession of the Borrower or in anyway pertaining to its property or business.

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

I. Funds Requisition. The Borrower agrees (i) that CFC may rely conclusively upon the interest rate option, interest rate term and other written instructions submitted to CFC in the Borrower's written request for an Advance hereunder, (ii) that such instructions shall constitute a covenant under this Agreement to repay the Advance in accordance with such instructions, the applicable Note and this Agreement, and (iii) to request Advances only for the purposes set forth in Schedule 1 hereto.

J. Compliance With Laws. The Borrower and each Subsidiary shall remain in compliance, in all material respects, with all applicable requirements of law and applicable rules and regulations of each Governmental Authority.

K. Taxes. The Borrower shall pay, or cause to be paid all taxes, assessments or governmental charges lawfully levied or imposed on or against it and its properties prior to the time they become delinquent, except for any taxes, assessments or charges that are being contested in good faith and with respect to which adequate reserves as determined in good faith by the Borrower have been established and are being maintained.

L. Further Assurances. The Borrower shall execute any and all further documents, agreements and instruments, and take all such further actions which may be required under any applicable law, or which CFC may reasonably request, to effectuate the transactions contemplated by the Loan Documents.

M. Environmental Covenants. Borrower shall:

- (i) at its own cost, comply in all material respects with all applicable Environmental Laws, including, but not limited to, any required remediation; and
- (ii) if it receives any written communication alleging Borrower's violation of any Environmental Law, provide CFC with a copy thereof within ten (10) Business Days after receipt, and promptly take appropriate action to remedy, cure, defend, or otherwise affirmatively respond to the matter.

N. Limitations on Loans, Investments and Other Obligations. The aggregate amount of all purchases, investments, loans, guarantees, commitments and other obligations described in Section 5.02.D(i). of this Agreement shall at all times be less than fifteen percent (15%) of Total Utility Plant or fifty percent (50%) of Equity, whichever is greater.

O. Special Covenants. The Borrower agrees that it will comply with any special covenants identified in Schedule 1 hereto.

Section 5.02 Negative Covenants. The Borrower covenants and agrees with CFC that until payment in full of the Note and performance of all obligations of the Borrower hereunder, the Borrower will not, directly or indirectly, without CFC's prior written consent:

A. Limitations on Mergers. Consolidate with, merge, or sell all or substantially all of its business or assets, or enter into an agreement for such consolidation, merger or sale, to another entity or person unless such action is either approved, as is evidenced by the prior written consent of CFC, or the purchaser, successor or resulting corporation is or becomes a member in good standing of CFC and assumes the due and punctual payment of the Note and the due and punctual performance of the covenants contained in this Agreement.

B. Limitations on Sale, Lease or Transfer of Capital Assets; Application of Proceeds. Sell, lease or transfer (or enter into an agreement to sell, lease or transfer) any capital asset, except in accordance with this Section 5.02.B. If no Event of Default (and no event which with notice or lapse of time and notice would become an Event of Default) shall have occurred and be continuing, the Borrower may, without the prior written consent of CFC, sell, lease or transfer (or enter into an agreement to sell, lease or transfer) any capital asset in exchange for fair market value consideration paid to the Borrower if the value of such capital asset is less than five percent (5%) of Total Utility Plant and the aggregate value of capital assets sold, leased or transferred in any 12-month period is less than ten percent (10%) of Total Utility Plant. If the Borrower does sell, lease or transfer any capital assets, then the proceeds thereof (less ordinary and reasonable expenses incident to such transaction) shall immediately (i) be applied as a prepayment of the Note, to such installments as may be designated by CFC at the time of any such prepayment; (ii) in the case of dispositions of equipment, material or scrap, applied to the purchase of other property useful in the Borrower's business, although not necessarily of the same kind as the property disposed of; or (iii) applied to the acquisition or construction of other property or in reimbursement of the costs of such property.

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

(i) Make Distributions in any calendar year if, after giving effect to the Distribution, the total Equity of the Borrower will be less than twenty percent (20%) of its Total Assets.

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

(iii) Notwithstanding anything to the contrary in subparagraphs (i) and (ii) above, the Borrower shall not make any Distribution without the prior written consent of CFC if an Event of Default under this Agreement has occurred and is continuing.

D. Limitations on Loans, Investments and Other Obligations.

(i) (a) Purchase, or make any commitment to purchase, any stock, bonds, notes, debentures, or other securities or obligations of or beneficial interests in, (b) make, or enter into a commitment to make, any other investment, monetary or otherwise, in, (c) make, or enter into a commitment to make, any loan to, or (d) guarantee, assume, or otherwise become liable for, or enter into a commitment to guarantee, assume, or otherwise become liable for, any obligation of any Person if, after giving effect to such purchase, investment, loan, guarantee or commitment, the aggregate amount thereof would exceed the greater of fifteen percent (15%) of Total Utility Plant or fifty percent (50%) of Equity.

(ii) The following shall not be included in the limitation of purchases, investments, loans and guarantees in (i) above: (a) bonds, notes, debentures, stock, or other securities or obligations issued by or guaranteed by the United States or any agency or instrumentality thereof; (b) bonds, notes, debentures, stock, commercial paper, subordinated capital certificates, or any other security or obligation issued by CFC or by institutions whose senior unsecured debt obligations are rated by at least two nationally recognized rating organizations in either of their two highest categories; (c) investments incidental to loans made by CFC; (d) any deposit that is fully insured by the United States; (e) loans and grants made by any Governmental Authority to the Borrower under any rural economic development program, but only to the extent that such loans and grants are non-recourse to the Borrower; and (f) unretired patronage capital allocated to the Borrower by CFC, a cooperative from which the Borrower purchases electric power, or a statewide cooperative association of which Borrower is a member.

(iii) In no event may the Borrower take any action pursuant to subsection (i) if an Event of Default under this Agreement has occurred and is continuing,

ARTICLE VI

EVENTS OF DEFAULT

Section 6.01 The following shall be "Events of Default" under this Agreement:

A. Representations and Warranties. Any representation or warranty made by the Borrower herein, or in any of the other Loan Documents, or in any certificate or financial statement furnished to CFC hereunder or under any of the other Loan Documents shall prove to be false or misleading in any material respect.

B. Payment. The Borrower shall fail to pay (whether upon stated maturity, by acceleration, or otherwise) any principal, interest, premium (if any) or other amount payable under the Note and the Loan Documents within five (5) Business Days after the due date thereof.

C. Other Covenants.

(i) No Grace Period. Failure of the Borrower to observe or perform any covenant or agreement contained in Sections 5.01.A, 5.01.B, 5.01.D, 5.01.E, 5.01.G, 5.01.I, 5.01.N, 5.02.A, 5.02.B, 5.02.C, or 5.02.D of this Agreement.

(ii) Thirty Day Grace Period. Failure of the Borrower to observe or perform any other covenant or agreement contained in this Agreement or any of the other Loan Documents, which shall remain unremedied for thirty (30) calendar days after written notice thereof shall have been given to the Borrower by CFC.

D. Legal Existence, Permits and Licenses. The Borrower shall forfeit or otherwise be deprived of (i) its authority to conduct business in the jurisdiction in which it is organized or in any other jurisdiction where such authority is required in order for the Borrower to conduct its business in such jurisdiction or (ii) permits, easements, consents or licenses required to carry on any material portion of its business.

E. Other CFC Obligations. The Borrower shall be in breach or default of any Obligation, which breach or default continues uncured beyond the expiration of any applicable grace period.

F. Other Obligations. The Borrower shall (i) fail to make any payment of any principal, premium or any other amount due or interest on any indebtedness with parties other than CFC which shall remain unpaid beyond the expiration of any applicable grace period, or (ii) be in breach or default with respect to any other term of any evidence of any other indebtedness with parties other than CFC or of any loan agreement, mortgage or other agreement relating thereto which breach or default continues uncured beyond the expiration of any applicable grace period, if the effect of such failure, default or breach is to cause the holder or holders of that indebtedness to cause that indebtedness to become or be declared due prior to its stated maturity (upon the giving or receiving of notice, lapse of time, both or otherwise).

G. Involuntary Bankruptcy. An involuntary case or other proceeding shall be commenced against the Borrower seeking liquidation, reorganization or other relief with respect to it or its debts under bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property and such involuntary case or other proceeding shall continue without dismissal or stay for a period of sixty (60) days; or an order for relief shall be entered against the Borrower under the federal bankruptcy laws or applicable state law as now or hereafter in effect.

H. Insolvency. The Borrower shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or proceeding commenced against it, or shall make a general

assignment for the benefit of creditors, or shall admit in writing its inability to, or be generally unable to, pay its debts as they become due, or shall take any action to authorize any of the foregoing.

I. Dissolution or Liquidation. Other than as provided in subsection H. above, the dissolution or liquidation of the Borrower, or failure by the Borrower promptly to forestall or remove any execution, garnishment or attachment of such consequence as will impair its ability to continue its business or fulfill its obligations and such execution, garnishment or attachment shall not be vacated within sixty (60) days. The term "dissolution or liquidation of the Borrower", as used in this subsection, shall not be construed to include the cessation of the corporate existence of the Borrower resulting either from a merger or consolidation of the Borrower into or with another corporation following a transfer of all or substantially all its assets as an entirety, under the conditions set forth in Section 5.02.A.

J. Material Adverse Change. Any material adverse change in the business or condition, financial or otherwise, of the Borrower.

K. Monetary Judgment. The Borrower shall suffer any money judgment not covered by insurance, writ or warrant of attachment or similar process involving an amount in excess of \$100,000 and shall not discharge, vacate, bond or stay the same within a period of sixty (60) days.

L. Nonmonetary Judgment. One or more nonmonetary judgments or orders (including, without limitation, injunctions, writs or warrants of attachment, garnishment, execution, distraint, replevin or similar process) shall be rendered against the Borrower that, either individually or in the aggregate, could reasonably be expected to have a material adverse effect upon the business, operations, prospects, assets, liabilities or financial condition of the Borrower.

ARTICLE VII

REMEDIES

Section 7.01 If any of the Events of Default listed in Section 6 hereof shall occur after the date of this Agreement and shall not have been remedied within the applicable grace periods specified therein, then CFC may:

- (i) Cease making Advances hereunder;
- (ii) Declare all unpaid principal outstanding on the Note, all accrued and unpaid interest thereon, and all other Obligations to be immediately due and payable and the same shall thereupon become immediately due and payable without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived;
- (iii) Exercise rights of setoff or recoupment and apply any and all amounts held, or hereby held, by CFC or owed to the Borrower or for the credit or account of the Borrower against any and all of the Obligations of the Borrower now or hereafter existing hereunder or under the Note, including, but not limited to, patronage capital allocations and retirements, money due to Borrower from equity certificates purchased from CFC, and any membership or other fees that would otherwise be returned to Borrower. The rights of CFC under this section are in addition to any other rights and remedies (including other rights of setoff or recoupment) which CFC

may have. The Borrower waives all rights of setoff, deduction, recoupment or counterclaim;

- (iv) Pursue all rights and remedies available to CFC that are contemplated by the other Loan Documents in the manner, upon the conditions, and with the effect provided in the other Loan Documents, including, but not limited to, a suit for specific performance, injunctive relief or damages;
- (v) Pursue any other rights and remedies available to CFC at law or in equity.

Nothing herein shall limit the right of CFC to pursue all rights and remedies available to a creditor following the occurrence of an Event of Default. Each right, power and remedy of CFC shall be cumulative and concurrent, and recourse to one or more rights or remedies shall not constitute a waiver of any other right, power or remedy.

ARTICLE VIII

MISCELLANEOUS

Section 8.01 Notices. All notices, requests and other communications provided for herein including, without limitation, any modifications of, or waivers, requests or consents under, this Agreement shall be given or made in writing (including, without limitation, by telecopy) and delivered to the intended recipient at the "Address for Notices" specified below; or, as to any party, at such other address as shall be designated by such party in a notice to each other party. All such communications shall be deemed to have been duly given (i) when personally delivered including, without limitation, by overnight mail or courier service, (ii) in the case of notice by United States mail, certified or registered, postage prepaid, return receipt requested, upon receipt thereof, or (iii) in the case of notice by telecopy, upon transmission thereof, provided such transmission is promptly confirmed by either of the methods set forth in clauses (i) or (ii) above in each case given or addressed as provided for herein. The Address for Notices of each of the respective parties is as follows:

National Rural Utilities Cooperative Finance Corporation
2201 Cooperative Way
Herndon, Virginia 20171-3025
Attention: Senior Vice President – Member Services
Fax # 703-709-6776

The Borrower:

The address set forth in
Schedule 1 hereto

Section 8.02 Expenses. Borrower shall reimburse CFC for any reasonable costs and out-of-pocket expenses paid or incurred by CFC (including, without limitation, reasonable fees and expenses of outside attorneys, paralegals and consultants) for all actions CFC takes, (a) to enforce the payment of any Obligation, or in preparation for such enforcement, (b) to restructure any of the Obligations, (c) to review, approve or grant any consents or waivers hereunder, (d) to prepare, negotiate, execute, deliver, review, amend or modify this Agreement, and (e) to prepare, negotiate,

execute, deliver, review, amend or modify any other agreements, documents and instruments deemed necessary or appropriate by CFC in connection with any of the foregoing.

The amount of all such expenses identified in this Section 8.02 shall be payable upon demand, and if not paid, shall accrue interest at the Default Rate.

Section 8.03 Late Payments. If payment of any amount due hereunder is not received at CFC's office in Herndon, Virginia, or such other location as CFC may designate to the Borrower within five (5) Business Days after the due date thereof, the Borrower will pay to CFC, in addition to all other amounts due under the terms of the Loan Documents, any late-payment charge as may be fixed by CFC from time to time pursuant to its policies of general application as in effect from time to time.

Section 8.04. Non-Business Day Payments. If any payment to be made by the Borrower hereunder shall become due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall be included in computing any interest in respect of such payment.

Section 8.05 Filing Fees. To the extent permitted by law, the Borrower agrees to pay all expenses of CFC (including the reasonable fees and expenses of its counsel) in connection with this Agreement and the Note, including, without limitation, all documentary stamps and other costs and taxes incident to execution of any document or instrument in connection herewith. The Borrower agrees to save harmless and indemnify CFC from and against any liability resulting from the failure to pay any required documentary stamps or any other expenses incurred by CFC in connection with this Agreement. The provisions of this subsection shall survive the execution and delivery of this Agreement and the payment of all other amounts due under the Loan Documents.

Section 8.06 Waiver; Modification. No failure on the part of CFC to exercise, and no delay in exercising, any right or power hereunder or under the other Loan Documents shall operate as a waiver thereof, nor shall any single or partial exercise by CFC of any right hereunder, or any abandonment or discontinuance of steps to enforce such right or power, preclude any other or further exercise thereof or the exercise of any other right or power. No modification or waiver of any provision of this Agreement, the Note or the other Loan Documents and no consent to any departure by the Borrower therefrom shall in any event be effective unless the same shall be in writing by the party granting such modification, waiver or consent, and then such modification, waiver or consent shall be effective only in the specific instance and for the purpose for which given.

SECTION 8.07 GOVERNING LAW; SUBMISSION TO JURISDICTION; WAIVER OF JURY TRIAL.

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

(B) THE BORROWER HEREBY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF THE UNITED STATES COURTS LOCATED IN VIRGINIA AND OF ANY STATE COURT SO LOCATED FOR PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. THE BORROWER IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTIONS THAT IT MAY NOW OR HEREAFTER HAVE TO THE

ESTABLISHING OF THE VENUE OF ANY SUCH PROCEEDINGS BROUGHT IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

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

SECTION 8.08 INDEMNIFICATION. THE BORROWER HEREBY INDEMNIFIES AND AGREES TO HOLD HARMLESS, AND DEFEND CFC AND ITS MEMBERS, DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, ATTORNEYS AND REPRESENTATIVES (EACH AN "INDEMNITEE") FOR, FROM, AND AGAINST ALL CLAIMS, DAMAGES, LOSSES, LIABILITIES, COSTS, AND EXPENSES (INCLUDING, WITHOUT LIMITATION, COSTS AND EXPENSES OF LITIGATION AND REASONABLE ATTORNEYS' FEES) ARISING FROM ANY CLAIM OR DEMAND IN RESPECT OF THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS, OR THE TRANSACTIONS DESCRIBED IN THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS AND ARISING AT ANY TIME, WHETHER BEFORE OR AFTER PAYMENT AND PERFORMANCE OF ALL OBLIGATIONS UNDER THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS IN FULL, EXCEPTING ANY SUCH MATTERS ARISING SOLELY FROM THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF CFC OR ANY INDEMNITEE. NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN SECTION 8.10 HEREOF, THE OBLIGATIONS IMPOSED UPON THE BORROWER BY THIS SECTION SHALL SURVIVE THE REPAYMENT OF THE NOTE AND THE TERMINATION OF THIS AGREEMENT.

Section 8.09 Complete Agreement. This Agreement, together with the schedules to this Agreement, the Note and the other Loan Documents, and the other agreements and matters referred to herein or by their terms referring hereto, is intended by the parties as a final expression of their agreement and is intended as a complete statement of the terms and conditions of their agreement. In the event of any conflict in the terms and provisions of this Agreement and any other Loan Documents, the terms and provisions of this Agreement shall control.

Section 8.10 Survival; Successors and Assigns. All covenants, agreements, representations and warranties of the Borrower which are contained in this Agreement shall survive the execution and delivery to CFC of the Loan Documents and the making of the Loan hereunder and shall continue in full force and effect until all of the obligations under the Loan Documents have been paid in full. All covenants, agreements, representations and warranties of the Borrower which are contained in this Agreement shall inure to the benefit of the successors and assigns of CFC. The Borrower shall not have the right to assign its rights or obligations under this Agreement without the prior written consent of CFC, except as provided in Section 5.02.A hereof.

Section 8.11 Use of Terms. The use of the singular herein shall also refer to the plural, and vice versa.

Section 8.12 Headings. The headings and sub-headings contained in this Agreement are intended to be used for convenience only and do not constitute part of this Agreement.

Section 8.13 Severability. If any term, provision or condition, or any part thereof, of this Agreement, the Note or the other Loan Documents shall for any reason be found or held invalid or unenforceable by any governmental agency or court of competent jurisdiction, such invalidity or

unenforceability shall not affect the remainder of such term, provision or condition nor any other term, provision or condition, and this Agreement, the Note and the other Loan Documents shall survive and be construed as if such invalid or unenforceable term, provision or condition had not been contained therein.

Section 8.14 Binding Effect. This Agreement shall become effective when it shall have been executed by both the Borrower and CFC and thereafter shall be binding upon and inure to the benefit of the Borrower and CFC and their respective successors and assigns.

Section 8.15 Counterparts. This Agreement may be executed in one or more counterparts, each of which will be deemed an original and all of which together will constitute one and the same document. Signature pages may be detached from the counterparts and attached to a single copy of this Agreement to physically form one document.

Section 8.16 Rescission Fee. The Borrower may elect not to borrow all or any portion of the CFC Commitment in which event CFC shall release the Borrower from its obligations hereunder as to such rescinded portion, provided the Borrower complies with such terms and conditions as CFC may impose for such release including, without limitation, payment of any rescission fee that CFC may from time to time prescribe, pursuant to its policies of general application.

Section 8.17 Schedule 1. Schedule 1 attached hereto is an integral part of this Agreement.

[EXECUTION PAGE FOLLOWS]

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

NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION

(SEAL)

By: _____

Title: _____

Attest: _____
Secretary

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION

(SEAL)

By: _____
Assistant Secretary-Treasurer

Attest: _____
Assistant Secretary-Treasurer

SCHEDULE 1

1. The purpose of this loan is to provide financing for Borrower's activities and performance under that certain Fort Knox Electric Service Contract for Demand Side Management and Energy Efficiency Services, executed by and between the Borrower and the United States of America, represented by the Contracting Officer of Fort Knox, a Department of Defense military installation, on or about April 1, 1984, and designated as original contract number DABT23-B4C0089, as the same shall have been or may be modified, supplemented or amended from time to time (the "DSMA").
2. The aggregate CFC Commitment is \$40,000,000.00. Within this aggregate amount, the Borrower may, at its discretion, execute one or more Notes, each Note representing a separate loan with CFC and containing a face amount and Maturity Date in accordance with the terms, conditions and provisions of this Agreement.
3. Draw Period shall mean the period of beginning on the date hereof and ending on the date that is five (5) years thereafter.
4. The Notes executed pursuant hereto and the amortization method for such Notes are as follows:

LOAN NUMBER	AMOUNT	AMORTIZATION METHOD
KY051-A-9031	\$40,000,000.00	Level debt service or level principal

5. The Payment Date months are February, May, August and November.
6. The Subsidiaries of the Borrower referred to in Section 2.01.B. are:

<u>Name of Subsidiary</u>	<u>% of Borrower's ownership</u>
KVNet, Inc.	100
First Choice Technologies, Inc.	100
7. The date of the Borrower's balance sheet referred to in Section 2.01.H is December 31, 2006.
8. The Governmental Authority referred to in Section 2.01.I is: Kentucky Public Service Commission.
9. The special condition(s) referred to in Section 4.01.G is (are):
 - a. Each Advance under this Agreement shall be used only to pay such sums as are attributable to Borrower's activities pursuant to the DSMA.;
 - b. Requests for Advances made pursuant to 4.01E shall be accompanied by the Borrower's most recent set of month-end financial statements, which shall be in form and substance satisfactory to CFC; and a copy of the Task Order that the requested Advance will finance, if not already provided to CFC;

- c. CFC shall not be obligated to make any Advances under this Agreement unless and until it has executed and delivered an intercreditor agreement with RUS, provided by Borrower in form and substance satisfactory to CFC.
-
- 10. The special covenant(s) referred to in Section 5.01.O is (are) as follows: None
 - 11. The address for notices to the Borrower referred to in Section 8.01 is 411 Ring Road, Elizabethtown, Kentucky 42701-8701, Attention: General Manager, Fax: (270) 735-1062.



Funds Requisition Statement - Government Contract Task Order

Borrower Name & ID: _____

Date Of Advance: _____

LCTC Payment Method (If applicable): _____

Banking Information		Correspondent Bank Information	
Bank Name:		Routing Bank Name	
City, State:		Routing Bank City, State	
Bank ABA #		Routing Bank ABA #	
Bank Account #			

Certification

Acting on behalf of the Borrower, I hereby certify that as of the date below: (1) I am duly authorized to make this certification and to request funds on the terms specified herein; (2) attached hereto are complete and accurate financial statements of the Borrower for the previous month end; (3) attached hereto is a true and complete copy of the Government task order for which funding is requested; (4) the Borrower has met all of the conditions contained in the loan agreement governing the terms of this Advance that the Borrower is required to meet prior to an Advance of funds; (5) all of the representations and warranties contained in said loan agreement are true; (6) no Event of Default, as defined in said loan agreement, has occurred and is continuing; (7) I know of no other event that has occurred which, with the lapse of time and/or notification to CFC of such event, or after giving effect to this Advance, would become an Event of Default; and (8) the funds requested herein will be used only for the purposes specified in the task order referenced herein.

I hereby authorize CFC, for and on behalf of the Borrower, to make this Advance on the following terms, and hereby acknowledge and agree that such terms shall be binding upon Borrower under the provisions of the loan agreement governing this Advance:

Loan Number	Advance Amount	Loan Maturity (years)	Interest Rate Selection	Interest Rate Term	Amortization Method, LD, LP, Bullet	Task Order No.

PSC CASE NO. 2008-00044

First Data Request

Question #7 (a) – (e)

7 (a) – (e) ***Filing of lien subordination document from Case No. 2005-00493:*** CFC did not received a lien subordination for this loan; rather, it executed an Intercreditor Agreement with RUS. Loan A-9028 was secured via a lien accommodation from RUS. Subsequently the process changed regarding security for other lender loans for military financing. A copy of the Intercreditor Agreement is attached in 5(d) above.